

EBD/83/21

January 19, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Group of Ten - Press Communiqué of the Ministers and Governors

The following press communiqué of the Ministers and Governors of the Group of Ten, issued in Paris on Tuesday, January 18, 1983, is circulated for the information of the Executive Directors:

1. The Ministers and central bank Governors of the ten countries participating in the General Arrangements to Borrow (GAB) met in Paris on January 18, 1983 under the chairmanship of Mr. Jacques Delors, Minister of Economy and Finance of France. The Managing Director of the International Monetary Fund (IMF), Mr. Jacques de Larosière, took part in the meeting, which was also attended by Mr. F. Leutwiler, President of the Swiss National Bank, Mr. E. Van Lennep, Secretary-General of the Organisation for Economic Cooperation and Development (OECD), Mr. A. Lamfalussy, Assistant General Manager of the Bank for International Settlements, and Mr. F.-X. Ortoli, Vice-President of the Commission of the European Communities.

2. The Ministers and Governors heard a report by the Chairman of their Deputies, Mr. Lamberto Dini, on issues relating to the revision and expansion of the GAB and the Eighth General Review of Quotas of the IMF. They also heard a report by the Chairman of the Working Party No. 3 of the Economic Policy Committee of the OECD, Mr. Christopher McMahon, on the world economic outlook.

3. In addressing the world economic situation, the Ministers and Governors welcomed recent successes in the fight against inflation and prospects for further progress. They looked toward sound monetary and fiscal policies and appropriate moderation in the growth in incomes to encourage lower interest rates, expanding trade, higher employment, and durable economic growth. These desirable developments must not be thwarted by trade restrictions or by disruption of the international financial system. At the same time, it was recognized that soundly based growth would itself help ease current tensions. To these ends, the Ministers and Governors affirmed their support for a reinforced cooperation among industrialized countries on economic, financial, and trade policies.

They considered that a sustainable improvement in activity in the industrial countries in 1983 can make an important contribution to a lasting solution of the indebtedness problem of many developing countries and to limiting the unemployment problem in all countries. Therefore, they noted with satisfaction that the competent international organizations will examine whether further steps can be taken to ensure renewed and sustained growth, and will report to the next ministerial councils, notably in the OECD and IMF framework.

4. Against this background, the Ministers and Governors discussed the international financial situation. They noted that, while strains remained in the system and the foreign debt problems of a number of countries were still a cause for real concern, governments and monetary authorities had been cooperating actively and effectively with international monetary institutions and commercial banks to reinforce the stability of the system. In order to ensure the continuing ability of the financial system to cope with existing strains and to facilitate the adjustment process, they strongly supported a substantial increase of resources available to the International Monetary Fund.

5. In light of the foregoing, the Ministers and Governors have decided, subject to the necessary legislative approval, that their aggregate credit commitments under the GAB should be promptly increased--from SDR 6.4 billion to SDR 17 billion (equivalent to an increase from \$7.1 billion to about \$19 billion). They welcomed the intention of Switzerland to become a full-scale participant in the GAB and decided that necessary adjustments in the arrangements should be made so as to permit the participation of Switzerland at an early date. They also decided an adjustment of the participants' shares in the arrangements so as to reflect better their size and role in the international economy and their ability to provide financial resources. A list of the new credit commitments that have been agreed is attached. They further agreed that in the future the GAB would be available not only for drawings by participants but also for purchases from the Fund for conditional financing for all its members, including members that are not GAB participants, when the Fund was faced with an inadequacy of resources arising from an exceptional situation associated with requests from countries with balance of payments problems of a character or of aggregate size that could pose a threat to the stability of the international monetary system.

6. The Ministers and Governors also looked to the conclusion of arrangements with other countries that might be willing and able to provide substantial resources to the Fund for the same purposes and on terms not unlike those agreed under the GAB. In this regard, the Ministers and Governors welcomed the recent contacts that the Chairman of the Group of Ten, and the

Chairman of the Interim Committee and the Managing Director of the Fund, have had with the authorities of Saudi Arabia. They asked the Chairman of the G-10 Deputies, in collaboration with the Managing Director of the IMF, to resume such contacts as soon as possible.

7. The Ministers and Governors discussed the issues related to the Eighth General Review of Quotas. They agreed that a substantial overall increase was called for. They also recognized the need for a meaningful adjustment of quota shares in the Fund to bring these more in line with the relative position of member countries in the world economy.

8. The Ministers and Governors noted that substantial progress had been made on the Quota Review issues, and were of the view that the conditions were now present for reaching conclusions at the forthcoming meeting of the Interim Committee on February 10-11, 1983. They emphasized the desirability of having new quotas in effect by the end of 1983.

9. The Ministers and Governors expressed their gratitude to the French authorities for their cordial hospitality and for the excellent meeting arrangements.

Attachment

Other Distribution:
Department Heads

GAB Credit Commitments for G-10 Countries and Switzerland

	In millions of SDRs	Shares in per cent
United States	4,250.0	25.00
Germany	2,380.0	14.00
Japan	2,125.0	12.50
France	1,700.0	10.00
United Kingdom	1,700.0	10.00
Italy	1,105.0	6.50
Canada	892.5	5.25
Netherlands	850.0	5.00
Belgium	595.0	3.50
Sweden	382.5	2.25
Switzerland	<u>1,020.0</u>	<u>6.00</u>
Total	17,000.0	100.00