

# INTERNATIONAL MONETARY FUND

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Press Communiqué of the Interim Committee  
of the Board of Governors of the  
International Monetary Fund

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its twentieth meeting in Washington, D.C., on February 10 and 11, 1983, under the chairmanship of Sir Geoffrey Howe, Chancellor of the Exchequer of the United Kingdom. Mr. Jacques de Larosière, Managing Director of the International Monetary Fund, participated in the meeting. The meeting was also attended by observers from a number of international and regional organizations and from Switzerland.
2. The Committee discussed the World Economic Outlook and the policies needed to cope with the difficult problems faced by most members of the Fund.

The Committee noted that estimated rates of both growth of output and inflation had been revised downward since its previous meeting in September 1982. Anxiety was expressed at the high level of unemployment and the weakness of investment and world trade, against the background of only limited indications of economic recovery. At the same time, the Committee welcomed the further progress made by some of the larger industrial countries in their fight against inflation, as well as the reduction in interest rates that had been facilitated by this progress--developments that were providing the basis for a sustainable recovery in economic activity.

Believing that successful handling of the inflation problem is a necessary--albeit not sufficient--condition for sustained growth over the medium term, the Committee urged national authorities, in their efforts to promote sustained recovery, to avoid measures that might generate harmful expectations with regard to inflation. The importance of reducing fiscal deficits in a number of countries was also emphasized. Otherwise, the Committee noted, high real interest rates detrimental to the process of recovery could be generated by market expectations regarding government borrowing requirements.

It was the Committee's view that, in several major industrial countries where inflation remained relatively high, present circumstances called for continued restraint in monetary and fiscal policies, along with effective implementation of the incomes policies now in place. It was felt, however, that conditions for economic recovery had improved in those large industrial countries that have been able

to achieve the greatest measure of success in reducing and controlling inflation. This success--and the reduction in interest rates that it has permitted--provided the basis, within the pursuit of counter-inflationary monetary and fiscal policies, for greater real growth of activity. The transition to a more stable path of real growth would be further facilitated by determined efforts to reduce market rigidities and structural imbalances.

The Committee deplored the upsurge of protectionist pressures in the past year or two. It stressed the paramount importance of resisting these pressures and, indeed, rolling them back.

The unsatisfactory situation facing non-oil developing countries was a source of particular concern to the Committee, which noted that growth rates in these countries, after averaging about 6 per cent in the 1960s and early 1970s, had averaged only 2 1/2 per cent during the past two years and were not expected to show much improvement in 1983. The Committee also observed that the modest recent increases in output, which were barely sufficient to keep pace with rapid population growth, had been achieved against a background of deteriorating terms of trade, sluggish markets for exports, high interest rates in international financial markets, and strains in the financing of current account deficits. These conditions had necessitated a sharp compression of imports by the non-oil developing countries--which, in turn, had been achieved at the cost of lower investment and growth.

Noting the extent of the external adjustment already achieved by many non-oil developing countries and the uncertainties that most such countries face in financing their current account deficits, the Committee attached great importance to the continuing provision of both official development assistance and private banking flows on an adequate scale, and it welcomed the special role recently played by the Fund in this connection.

More generally, the Committee stressed the enhanced importance, in current circumstances, of the Fund's role in providing its balance of payments assistance to member countries that engage in adjustment programs and in exercising firm surveillance over policies, and also the need to equip the Fund with adequate resources to perform this role.

3. The Committee, noting the progress made by the Executive Board on the various issues of the Eighth General Review of Quotas, focused its attention on the remaining issues, and took satisfaction in being able to reach the following agreement on the subject of quotas:

(a) The total of Fund quotas should be increased under the Eighth General Review from approximately SDR 61.03 billion to SDR 90 billion (equivalent to about US\$ 98.5 billion).

(b) Forty per cent of the overall increase should be distributed to all members in proportion to their present individual quotas, and the balance of sixty per cent should be distributed in the form of selective adjustments in proportion to each member's share in the total of the calculated quotas, i.e., the quotas that broadly reflect members' relative positions in the world economy.

(c) Twenty-five per cent of the increase in each member's quota should be paid in SDRs or in usable currencies of other members.

The Committee considered the possibility of a special adjustment of very small quotas, i.e., those quotas that are currently less than SDR 10 million. It was agreed to refer this matter to the Executive Board for urgent consideration in connection with the implementation of the main decision.

4. The question of the limits on access to the Fund's resources was raised in the Committee. It was noted that the Executive Board will review this matter before June 30, 1983. The Committee invited the Executive Board to take note of the views expressed in the Committee by those favoring maintenance of the present enlarged limits in terms of multiples of quotas and also by those stressing the need to have regard to developments in the Fund's liquidity. It also invited the Managing Director to report on this matter at the next meeting of the Committee.

5. The Committee noted the recent decision of the Finance Ministers and Central Bank Governors of the participants in the General Arrangements to Borrow (GAB) to support an increase in the total amount of the commitments under these Arrangements to SDR 17 billion (equivalent to about US\$19 billion) and to make the resources of these Arrangements available to the Fund to finance also purchases by nonparticipants when the Fund faces an inadequacy of resources arising from an exceptional situation involving a threat to the stability of the international monetary system. In this connection, the Committee welcomed the intention of Switzerland to become a full participant in the Arrangements, through the Swiss National Bank, with a credit commitment of SDR 1,020 million.

The Committee also welcomed the willingness of Saudi Arabia to provide resources to the Fund, in association with the GAB, and for the same purposes as those of the GAB. They noted with satisfaction the progress that is being made in setting out the detailed features of this association.

6. The members of the Committee requested the Executive Board to adopt, before the end of February 1983, the necessary decisions and other actions to implement the consensus reached in the Committee. They also agreed to urge the governments of their constituencies to act promptly so that the proposals for the increase in the Fund's resources could be made effective by the end of 1983.

7. The Committee considered again the question of allocations of SDRs in the current, i.e., the fourth, basic period which began on January 1, 1982. Noting the developments since its Toronto meeting, the Committee agreed that the matter should be reexamined as soon as possible. It, therefore, requested the Executive Board to review the latest trends in growth, inflation and international liquidity, with a view to enabling the Managing Director to determine, not later than the next meeting of the Interim Committee, whether a proposal for a new SDR allocation could be made that would command broad support among members of the Fund.

8. The Committee agreed to hold its next meeting in Washington, D.C., on September 25, 1983.

INTERIM COMMITTEE ATTENDANCE

February 10-11, 1983

Chairman

Sir Geoffrey Howe, Chancellor of the Exchequer of the United Kingdom

Managing Director

J. de Larosière

Members or Alternates

Mohammad ABAL-KHAIL, Minister of Finance and National Economy  
of Saudi Arabia  
Mohamed FINAISH, Executive Director of the Fund (Alternate for  
Hassan Al-Najafi, Governor of the Central Bank of Iraq)  
Rachid BOURAOUI, Governor of the Banque Centrale d'Algérie  
B. T. CHIDZERO, Minister of Finance of Zimbabwe  
Willy DE CLERCQ, Vice Prime Minister, Minister of Finance, and  
Minister of Foreign Trade of Belgium  
Jacques DELORS, Minister of Economy and Finance of France  
Ernane GALVEAS, Minister of Finance of Brazil  
Giovanni GORIA, Minister of the Treasury of Italy  
Cesar E. A. VIRATA, Prime Minister and Minister of Finance of  
the Philippines (Alternate for John W. Howard, Treasurer, Australia)  
Marc LALONDE, Minister of Finance of Canada  
J. G. LITTLER, Second Permanent Secretary of H. M. Treasury of the  
United Kingdom  
SHANG Ming, Adviser at Vice President Level of the People's Bank of China  
(Alternate for Lu Peijian, President of the People's Bank of China)  
Manmohan SINGH, Governor of the Reserve Bank of India (Alternate for  
Pranab Kumar Mukherjee, Minister of Finance of India)  
Jóhannes NORDAL, Governor of The Central Bank of Iceland  
Nukul PRACHUABMOH, Governor of the Bank of Thailand  
Donald T. REGAN, Secretary of the Treasury of the United States  
H. O. C. R. RUDING, Minister of Finance of the Netherlands  
SAMBWA Pida Nbagui, Governor of the Banque du Zaïre  
Jesús SILVA-HERZOG, Secretary of Finance and Public Credit of Mexico  
Gerhard STOLTENBERG, Federal Minister of Finance of Germany  
Haruo MAYEKAWA, Governor of The Bank of Japan (Alternate for  
Noboru Takeshita, Minister of Finance of Japan)  
Jorge WEHBE, Minister of Economy of Argentina

Observers

A. W. Clausen, President, IBRD  
Arthur Dunkel, Director-General, GATT  
A. Ferroukhi, Head, Economics and Finance Department, OPEC

Observers (continued)

Ghulam Ishaq Khan, Chairman, Development Committee  
Roger Lawrence, Director, Money, Finance, and Development  
Division, UNCTAD  
Emile van Lennep, Secretary-General, OECD  
F. Leutwiler, Chairman of the Governing Board, Swiss National Bank  
Francois-Xavier Ortooli, Vice-President, CEC  
Jean Ripert, Director General for Development and International  
Economic Cooperation, UN  
Guenter Schleiminger, General Manager, BIS