INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/11

3:00 p.m., January 12, 1983

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

Executive Directors	Alternate Executive Directors
	P.-C. Maganga-Moussavou, Temporary
J. Anson	C. Taylor
J. de Groote	H. G. Schneider
	A. Le Lorier
A. Donoso	M. Teijeiro
	C. Dallara
M. Finaish	T. Alhaimus
	Jaafar A.
T. Hirao	T. Yamashita
R. K. Joyce	M. Casey
A. Kafka	C. Robalino
G. Laske	G. Grosche
G. Lovato	
R. N. Malhotra	A. S. Jayawardena
	J. E. Suraisry
J. J. Polak	T. de Vries
A. R. G. Prowse	K. G. Morrell
	O. Kabbaj
F. Sangare	E. I. M. Mtei
	J. L. Feito
J. Sigurdsson	L. Vidvei
Zhang Z.	Wang E.

L. Van Houtven, Secretary
K. S. Friedman, Assistant

Also Present
African Department: F. d'A. Collings. Asian Department: K. A. Al-Eyd. European Department: A. Arimo, L. Hansen, P. L. Hedfors, M. Ishihara, A. Knobl, S. Mitra, P. J. F. Nyberg, G. Tyler. Exchange and Trade Relations Department: S. Mookerjee, Deputy Director; N. Kirmani. Fiscal Affairs Department: G. Blöndal. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy General Counsel; W. E. Holder, Ph. Lachman, J. M. Ogoola. Middle Eastern Department: G. Tomasson. Research Department: W. C. Hood, Economic Counsellor and Director; A. D. Crockett, Deputy Director; R. R. Rhomberg, Deputy Director; J. S. Smith. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer; D. Williams, Deputy Treasurer; M. N. Bhuiyan, O. Roncesvalles, M. A. Tareen. Advisors to Executive Directors: J. R. N. Almeida, A. B. Diao, S. El-Khouri, P. Kohnert, H.-S. Lee, I. R. Panday, P. D. Péroz. Assistants to Executive Directors: E. M. Ainley, H. Alaoui-Abdallaoui, H. Arias, R. Bernardo, L. E. J. Coene, T. A. Connors, G. Ercel, I. Fridricksson, G. Gomel, M. Hull, M. J. Kooymans, P. Leeahtam, W. Moerke, J. A. K. Munthali, V. K. S. Nair, Y. Okubo, J. G. Pedersen, G. W. K. Pickering, E. Portas, C. A. Salinas, J. Schuijer, D. I. S. Shaw, H. Suzuki, P. Verly, A. A. Yousef, Zhang X.

1. EIGHTH GENERAL REVIEW OF QUOTAS - DRAFT REPORT TO INTERIM COMMITTEE

The Executive Directors considered a draft (SM/82/249, Revision 1, 1/7/83) of the report to the Interim Committee on the Eighth General Review of Quotas revised in the light of the discussion at EBM/83/3 (1/4/83).

The Secretary made the following statement:

When the Executive Board discussed the first draft of its report on quotas to the Interim Committee, a number of comments were made and questions were raised regarding the appropriate method of reporting different views held by Executive Directors on the various issues and, more specifically, the definition of "code" words, such as "some," "many," and "a number," used to qualify the various views. This important question, which has been raised on various occasions over the years, touches on the cardinal rule of the Board's work methods, namely, that the Chairman shall ordinarily ascertain the sense of the meeting in lieu of a formal vote. Accordingly, when a decision is to be taken, attention is paid to both the importance of arguments made by speakers and the weight of the voting power of speakers. The Chairman takes the sense of the meeting by determining the position that is supported by Executive Directors having sufficient votes to carry the question if a vote were taken. The quinquennial quota reviews are outstanding examples of this decision-making process.

Over the years, the Executive Board has held to the view that, as long as the debate on an issue has not yet moved forward enough to allow the Chairman to take the sense of the meeting, there is great virtue in being deliberately vague in reporting on Executive Directors' various positions, rather than citing specific numbers. That practice has been followed particularly in reporting to the Interim Committee on matters on which the Executive Directors were seeking the political guidance of Ministers. The overriding concern has been that Ministers should have the necessary leeway or room for maneuver in formulating their guidance.

In preparing the present draft report of the Executive Board, the staff has followed the time-honored practice of using code words in describing positions. In assessing the meaning of the code words Executive Directors should keep several matters in mind.

First, successive Executive Boards agreed that in assessing the use of code words one should bear in mind not only the number of Executive Directors holding a particular view, but also their relative voting power. Thus, a particular code word may be appropriate in describing two different positions, even though the number of Executive Directors holding each of the two views might be quite different. In that context, I recall a discussion in the Board some years ago in which it was accepted that the view held by one member, namely, the United States, could appropriately be described as a view held by "some" in the light of the importance of the voting power of the United States. There is admittedly an intrinsic awkwardness in that description, which has not been used in the draft before Executive Directors. Directors might wish to consider whether the description now suggested, namely, "the view is held that," is a better formulation.

Second, a crucial factor in the choice of code words is the majority required to take the sense of the meeting. Thus, while "many" may perhaps be appropriate to describe the sense of the meeting on a matter requiring only a simple majority of views expressed, it would not suffice for an issue requiring a majority of 85 per cent of the voting power in the Fund.

Third, it is important to note that one benefit of the Board's use of code words is that they retain sufficient flexibility for use in a report that deals with several issues. For example, the appropriate qualification of three different views on Issue A could well be "some," "many," and "a few." Some of the same words could be used to report on four or five different views on Issue B, it being understood that the meaning of the code words used in the description of Issue A need not be precisely the same as the meaning of those words in the description of Issue B.

In the draft report before the Executive Directors the following code words are used:

1. The view is held that
2. A few
3. Some
4. Several
5. A number
6. Many
7. Most
8. Nearly all

Let me add immediately that this gradation is not meant to be rigid. For instance, in terms of voting power the qualification "the view is held that" may be more important in some cases, and less important in others, than "a few Directors."

In the draft report those issues on which the necessary consensus has been reached, such as the method of quota calculation, have been clearly identified. It should be understood that on all other issues the necessary consensus has not yet been reached. The staff has been particularly careful in choosing code words throughout the report; continuous reference was made to the tally sheets of the Executive Board meetings on the subject. However, the tally sheets are not always a certain guide, as an individual speaker may, for instance, indicate a degree of flexibility on any particular issue and thereby be counted among more than one of the various groups of Directors who have taken different positions on the issue. In addition, not all Directors have spoken on each of the issues dealt with in the report.

Executive Directors have traditionally attached great importance to simplicity and clarity in their reports to the Interim Committee. Reporting on shades of difference or on individual views has generally been avoided, as long as each Executive Director has been satisfied that he could associate himself with a particular view expressed on each issue. Finally, it is always assumed that individual Executive Directors will have an opportunity to explain to their member of the Interim Committee the inner meaning of all aspects of the report.

The Chairman remarked that, as he had promised at EBM/83/3, he had carefully checked the accuracy of the descriptions in the draft report of the various positions of Executive Directors. The language of the draft followed the traditional lines of Executive Board reports to the Board of Governors and its Committees and was consistent with his summing up of the discussion at Meetings 82/18 and 82/19 (12/21/82) of the Committee of the Whole. At that time, he had concluded that there was broad agreement that the proposals in the report should be presented as simply as possible, that they should be expressed in clear language, and that they should be conducive to attaining a compromise in the Interim Committee. The last point was particularly important. References to specific numbers of individual Executive Directors or to precise blocs of voting power would not help in the effort to arrive at a broadly based agreement. It could be argued that using specific pronouns of number ran the risk of introducing rigidities into the proceedings, but the language used in the revised text had been carefully chosen. The various expressions that the Secretary had mentioned corresponded to specific ranges of numbers of Executive Directors, as follows:

"The view is held that"--the view of the United States
"A few"--2-4 Executive Directors
"Some"--5-6 Executive Directors
"A number"--6-9 Executive Directors
"Many"--10-15 Executive Directors
"Most"--15 plus Executive Directors
"Nearly all"--about 20 Executive Directors

Mr. Polak made the following statement:

At our meeting on December 21, 1982 I suggested that we might be moving too fast in agreeing on a single method, leaving the Ministers only a choice of weights. The full tables now before us in SM/82/249, Revision 1 confirm me in this view. I shall briefly explain why I hold this view.

The method of distribution of the overall increase contained in the draft report is reasonable enough in the abstract. To bring quotas more in line with relative positions in the world economy, one part of the overall increase is distributed in proportion to calculated quotas. To give each member a meaningful increase in its quota, another part of the increase is distributed in proportion to present quotas. By choosing the relative size of these two parts, the Ministers will adopt a distribution that combines the two objectives in a manner satisfactory to the membership at large.

The practical question that remains, however, is whether there exists any combination of the two parts that provides reasonable satisfaction across the board. This is an empirical question that depends critically on the size of the overall quota increase. For a Fund of SDR 125 billion, there is a wide range of options that meets the test. Between the 50/50 distribution in column (4) and the 30/70 distribution in column (7), the minimum increase (as shown in footnote 1 in Table 4) ranges from 57.5 per cent to 38.6 per cent and the adjustment coefficient from 25.6 per cent to 35.8 per cent. Even at a size of SDR 100 billion, there would seem to be room for a reasonable compromise, which would probably have to lie in the range of column (5) and column (6), producing minimum increases of just over 25 per cent as well as an adjustment coefficient of also about 25 per cent (Table 3).

But Table 2 shows that there is no satisfactory choice--even by modest standards for the two criteria--for a Fund of SDR 90 billion. To obtain a minimum increase of about 25 per cent, one has to move to the left in the table to the 50/50 column; yet to get an adjustment coefficient of nearly 25 per cent, one has to move to the right at least as far as the 30/70 column.

In these circumstances, the question arises whether there is not another way to combine the two components than that of a weighted average. An alternative possibility is suggested by the practice adopted in an earlier stage of the quota exercise, where it was also found that full reliance on the weighted average approach could not produce a generally acceptable solution. I refer to the method used to arrive at calculated quotas, where the Fund has, for the last 20 years, reconciled widely conflicting interests by adopting a method of choice--allowing members' calculated quotas to be determined by that one of a number of formulas that yields the highest value. If the weighted average approach were to produce an impasse on the distribution, recourse could be had here too to the method of choice. There are, of course, limitations as to what can be achieved by a choice, but the limitation is not as severe as that reflected in Table 2. Specifically, with a Fund of SDR 90 billion, it would be possible to give each member a new quota that would be the higher of:

i. 125 per cent of its present quota (which happens to be the minimum increase received by nearly all members in the Fifth Review); and

ii. the quota that would follow from the application of an adjustment coefficient of close to 23 per cent.

(The precise figure for the adjustment coefficient compatible with a minimum increase of 25 per cent for a Fund of SDR 90 billion has not yet been calculated.) The coefficient would be identical for all members that would benefit from the second option; this would obviate the reservations that had been raised against earlier suggestions that had been presented in the form of a constraint rather than a choice.

Extending his remarks, Mr. Polak said that the revised text was a great improvement on the previous text, closely approximated the views of the Executive Board, and was basically acceptable. He would like to change the final sentence of paragraph 5 to read:

> Many Directors are of the view that resolution of the central issue relating to the distribution of quotas, which consists in finding a widely acceptable combination of selective and equiproportional increases, can be considerably facilitated by a relatively modest increase in the size of the overall increase in quotas; accordingly, they stress the importance of considering the issues of size and distribution in conjunction.

That text was meant to be consistent with his proposal for dealing with differences concerning the weights to be given to the selective and equiproportional parts of the overall increase in quotas. Whether or not there would be such differences would depend to a large extent on the size of the Fund that was agreed upon, a fact that had been well known all along. A point that was new, however, was the realization that small differences in the agreed size of the Fund could make a major difference in achieving an agreement on the distribution of the selective and equiproportional parts of the overall increase in quotas. The Executive Directors could probably not agree on any of the various possible distributions of the overall increase in quotas with a Fund of SDR 85 or 90 billion, but there was probably at least a small range of reasonable choices in Table 3, which was based on a Fund of SDR 100 billion. There was also a range of likely acceptable solutions on the basis of a Fund of between SDR 90 and 100 billion. Accordingly, the revision of the final sentence of paragraph 5 that he had suggested would show that the resolution of the central issue relating to the distribution of quotas could be considerably facilitated by a relatively modest increase in the size of the overall increase in quotas, and that it was therefore best for the Interim Committee to consider the issues of size and distribution in conjunction.

The tables attached to the revised report had been improved, Mr. Polak considered, but, while they clearly showed how the various figures had been derived, they did not explain the extent to which the objectives set out in paragraph 11 were met by the various figures. The line containing the adjustment coefficient showed the extent of the quota adjustments under the various solutions, but the line on the equi-proportional increase was not particularly helpful. That line seemed to show the percentage increase that would be received by a member that had a zero calculated quota; however, no member had such a quota. It would be useful to include in each of the various tables a line indicating the number of members that would receive a total increase of at least, say, 25 per cent; it might also be useful to have another line showing the number of members that would receive a quota increase of at least 50 per cent.

Mr. Prowse made the following statement:

> As proposed in the course of the Board's previous discussion of this subject on January 4, 1983, we prepared a draft paragraph on the matter of small quotas. This was received by the staff on January 6, 1983, but unfortunately that did not allow time for its incorporation in the further draft of the report (SM/82/249, Revision 1).
>
> Accordingly, I am circulating it for consideration at the present meeting (See Annex).

The revised text, Mr. Prowse continued, was a considerable step forward as it largely met the objectives of clarity, conciseness, and simplicity of expression. The only portion of the text with which he had any difficulty was paragraph 14, on minimum quotas, and he hoped that his version would be accepted as the focus for discussion in place of the present one.

The new text, Mr. Prowse went on, reflected a substantial narrowing of differences of view. In particular, it constituted a substantial compromise by most Executive Directors and by his own countries, all but one of which would have preferred to see at least a doubling of the present quotas but were prepared to accept the consensus that seemed to be emerging. The final agreement on revising and expanding the General Arrangements to Borrow (GAB) should avoid infringing in any way on the independence and integrity of the Fund's decision-making process. The fundamental importance of quotas should be underscored, and the proposed GAB revision should not be seen as a substitute in any way for an appropriate increase in quotas.

He attached particular importance, Mr. Prowse said, to including illustrations of the possible cost of meeting the request of smaller members for minimum quotas, which many members felt was very important. In his opening statement he had meant to distinguish between the proposals concerning basic votes and minimum quotas. It was not clear from the record of previous discussions that a proposal had in fact been made for increasing minimum quotas to as much as SDR 25 million, as indicated in the draft, in order to achieve an effective doubling of basic votes.

Mr. Kafka stated that the revised text was broadly acceptable. The order of paragraphs 3 and 4 could be reversed to stress the importance of quotas in the present report. The final sentence of the present text of the third paragraph should say "...the standing borrowing arrangements could be useful...," as much would depend on how the enlarged GAB was actually operated. In addition, paragraph 9 should be changed somewhat to read: "...the distribution of the increase in quotas should not result in abrupt changes in individual members' quota shares, that a proper balance between groups of countries should be maintained, and that all members should receive a meaningful increase in quotas."

At the bottom of page 7, Mr. Kafka noted, it was said that "most other Directors strongly hold the view that it is important to maintain uniformity of treatment of members in distributing increases in quotas. They also point out that a special adjustment in very small quotas could result in these members satisfying their needs for Fund resources through use of facilities which do not involve upper credit tranche conditionality." Not all Directors who favored uniformity of treatment of members in distributing increases in quotas would be particularly concerned if upper credit tranche conditionality could be avoided by some very small countries.

Paragraph 6 stated in part, Mr. Kafka noted, that "these Directors believe that the increase in quotas under the Eighth General Review needs to be sufficiently large for the Fund to finance an appropriate level of access to its resources to promote adjustment." The question of access would have to be resolved during the present review according to the rule of reason. Accordingly, it would not be appropriate to accept either fixed absolute access or fixed proportionate access.

Executive Directors agreed to continue their discussion on a paragraph by paragraph basis.

Paragraph 1

No comment.

Paragraph 2

No comment.

Paragraph 3

Mr. Finaish considered that the text should be expanded somewhat to explain the origin of the proposed extension and enlargement of the GAB. In addition, the text wrongly gave the impression that the extension and enlargement had been fully accepted. In fact, many questions had been raised and still had to be answered. A revised version of paragraph 3 should be placed at the end of the report.

Mr. Malhotra said that he agreed that the section on the GAB should appear at the end of the report, and that the text should not give the impression that the extension and enlargement of the GAB had been generally or enthusiastically accepted. He continued to be worried that there was some feeling that there was a trade-off between the appropriate size of the increase in quotas and the agreement on the extension and enlargement of the GAB. In his view, there ought to be no such trade-off. The text on the GAB should end with the following sentence: "The Board stressed that the revision of the GAB should not adversely affect the appropriate increase in the size of the Fund, its decision-making process and independence, and its nondiscriminatory and cooperative character." The text could also say that "several Executive Directors emphasized that for the activation of the proposed GAB facility, the views of the Fund with regard to any impairment of the international monetary system and the adequacy of its own resources should prevail."

Mr. Jaafar recalled that the Executive Board had held an extensive discussion on the adequacy of existing arrangements to deal with major strains in the international financial system at EBM/82/150 and EBM/82/151 (11/19/82), and that the Chairman had made a useful summing up. The text of paragraph 3 of the draft was rather brief, and the final report should contain a fuller account of the Chairman's assessment of the arrangements to deal with major strains in the system. Paragraph 3 wrongly implied that the GAB was the major, or perhaps the only, subject discussed during the Executive Board's assessment of the adequacy of existing arrangements to deal with major strains in the system.

Mr. Prowse said that he too felt that the order of paragraphs 3 and 4 should be reversed. The second sentence of paragraph 3 could be changed to read: "The Executive Board considered that a major extension and enlargement of the standing arrangements to borrow would be very useful in providing the Fund with access to additional resources to help it meet possible exceptional demands on it arising from strains in the international monetary system." The text should mention the Fund's overall liquidity position. The first additional sentence that Mr. Malhotra had suggested was acceptable. The second one should perhaps be included in the Executive Board's report on the GAB rather than in the report on quotas.

Mr. Anson considered that, if Mr. Malhotra's second proposed sentence was added to paragraph 3, it would be appropriate to balance the argument by stating that "other Directors considered that it was reasonable that members lending to the Fund should have an opportunity to decide whether the circumstances existed in which they had previously undertaken to lend."

Mr. Dallara remarked that Mr. Jaafar's concern might be met by inserting the words "inter alia" between the words "considered" and "an extension" in the second line of paragraph 3. The text would then show that issues in addition to the extension and enlargment of the GAB had been considered by the Executive Board during its assessment of the adequacy of existing arrangements to deal with major strains in the international financial system. He had no difficulty in accepting the first sentence that Mr. Malhotra wished to add to paragraph 3. However, he agreed with Mr. Anson that the second sentence that Mr. Malhotra had suggested would not be appropriate unless it was balanced by the argument that Mr. Anson had made. It might be best to avoid any lengthy discussion of the activation of the revised GAB in the present report. Finally, Mr. Prowse's version of paragraph 3 could be further altered to read: "The Executive Board considered, inter alia, that a major enlargement and extension of the Fund's standing borrowing arrangements could be very useful in providing the Fund with access to additional resources to help it deal with an inadequacy of resources and with a threat to the stability of the international monetary system."

Mr. Zhang said that he too preferred to place the text on the GAB at the end of the report.

Mr. Kabbaj considered that the revised draft was a significant improvement over the previous text. As Mr. Jaafar had suggested, paragraph 3 should be expanded to reflect the Chairman's summing up of the discussion in the Executive Board on the adequacy of existing arrangements to deal with major strains in the international financial system. He had no difficulty in accepting the first of the two sentences that Mr. Malhotra wished to add to paragraph 3.

Mr. Suraisry considered that the text of paragraph 3 should appear at the end of the report. Mr. Malhotra's first additional sentence in paragraph 3 was acceptable. Mr. Prowse's drafting suggestion for the final sentence of the paragraph was also acceptable.

Mr. Joyce said that he agreed that adding the words "inter alia" to the first sentence of paragraph 3 might meet Mr. Jaafar's concern. The entire text of paragraph 3 could be placed at the end of the report, although he had no particular difficulty in accepting its present location. The text of the second sentence should be in the past tense in order to help to separate the GAB and quota issues, the main subject of the rest of the report. The first sentence that Mr. Malhotra wished to add to the text was useful, but the second sentence might prove to be counterproductive. Finally, Mr. Prowse's proposed addition to the paragraph was acceptable.

Mr. Laske considered that the sentence that Mr. Prowse had proposed would be useful as amended by Mr. Dallara. The first sentence that Mr. Malhotra had suggested was fully acceptable, but the second sentence would have to be balanced by an additional argument and should perhaps not be included.

Committee that the overall increase in quotas should be of a size that would enable the Fund to deal effectively with the problems of financing and adjustment...."

Mr. Jaafar suggested that the final sentence should be amended to show that the subject of the text was the size of the overall increase in quotas. Accordingly, the text could say that many Executive Directors believed that a larger, rather than a smaller, overall increase in quotas was likely to facilitate the resolution of the issues relating to the distribution of quotas, and in particular the size of the adjustment in quota shares that was needed to reflect the relative economic positions of members.

Mr. Vidvei considered that the words "temporarily, or" in the penultimate sentence were unnecessary.

Mr. Laske said that he agreed with Mr. Vidvei. The words "temporarily, or" wrongly gave the impression that two criteria might be applied in deciding when borrowing should be resorted to. In fact, borrowing should be resorted to only when exceptional circumstances were thought to exist.

Mr. Anson remarked that he too felt that the penultimate sentence should be changed. The relevant portion of the Chairman's summing up on the discussion on borrowing mentioned that borrowing should not be a permanent feature of the Fund's financing, except for the integrated permanent elements like the GAB.

The Chairman commented that the revised text suggested by Mr. Anson seemed to provide for the possibility of separate borrowing operations, in exceptional circumstances, in addition to the regular permanent lines of credit arrangements.

After a further brief discussion, the Executive Directors agreed that the penultimate sentence should read as follows:

> The Executive Directors believe that the increase in quotas should enable the Fund to accommodate the likely need for Fund resources in the 1980s, and that borrowing by the Fund, which should not be a regular feature of the Fund's operations, may be resorted to in exceptional circumstances, including borrowing by the Fund under its standing arrangements such as the General Arrangements to Borrow.

Mr. Malhotra considered that the final sentence usefully stressed that the larger the increase in quotas, the greater were the possibilities for adjusting quota shares better to reflect the relative economic positions of members. Mr. Polak's proposed text suggested that that issue would be considerably facilitated merely by a relatively modest increase in the size of the overall increase in quotas. The present text seemed preferable to Mr. Polak's version.

Mr. Polak commented that his version was intended to say that a modest further increase in quotas could considerably help in the resolution of the central issue relating to the distribution of quotas. He attached particular importance to the second part of his version of the sentence in question, as he hoped that the Ministers would not consider the size of the quota increase separately from its distribution. The text should stress the importance of considering the issues of size and distribution in conjunction.

Mr. Dallara said that Mr. Polak's proposal for stressing the importance of considering the issues of size and distribution in conjunction was useful.

After a further brief debate, the Executive Directors agreed that the final sentence of paragraph 4 should read:

> Many Directors believe that the larger the size of the overall increase in quotas, the easier it will be to resolve some of the issues relating to the distribution of quotas; accordingly, they stress the importance of considering the issues of size and distribution in conjunction.

Paragraph 6

Mr. Malhotra stated that the word "appreciably" in the fourth line should be eliminated. Indeed, some Executive Directors felt that the need for Fund support of members' balance of payments adjustment programs might increase in the years ahead, rather than diminish.

Mr. Anson commented that the present need for conditional financing mentioned in the final sentence would be clearer if the text was expanded to read: "Some Directors hold the view that, following the exceptionally widespread adjustment efforts currently being supported by the Fund, the...."

Mr. Prowse remarked that he agreed that the word "appreciably" in the fourth line was unnecessary. He, like Mr. Anson, had had difficulty in following the sense of the final sentence. Mr. Anson's additional words had helped to show that, in comparison with the present need for conditional financing by the Fund, the payments imbalances requiring such financing could be expected to diminish later in the 1980s. Still, the text could perhaps be taken to mean that following the exceptionally widespread adjustment efforts currently being supported by the Fund, the size of the payments imbalances requiring conditional financing by the Fund could be expected to be less than would have been the case otherwise. In that event, the sentence was not particularly useful.

Mr. Malhotra considered that statements like those in paragraph 6 clouded the issues. He doubted whether anyone would suggest that the need for Fund resources in the period of the Eighth General Review of

Quotas would decline. Little was gained by expressing views in the text on the likely need for Fund resources in the period beyond the five years covered by the Eighth General Review.

The Deputy Treasurer recalled that during the previous discussion a request had been made to include a reference to access in the revised text to stress that access to Fund resources should be sufficiently large to induce members to undertake adjustment programs. The staff had felt that paragraph 6 was a reasonable location for the reference to access, the only one in the text.

Mr. Joyce said that it was useful to draw in the text a distinction between Executive Directors who saw a growing need for the Fund's resources and, therefore, for a relatively large increase in quotas, and Executive Directors who felt that the need would be diminishing during the 1980s.

Mr. Prowse remarked that the proposed text seemed to suggest that the payments imbalances requiring conditional financing could be expected to diminish later in the 1980s and, therefore, there would be less need for Fund resources then than at present.

Mr. Anson commented that the words "size of the" in the final sentence seemed unnecessary. The actual size of the payments imbalance requiring initial financing might well increase in the 1980s because of inflation, but the main point of the text was that the pressure of the imbalances could be expected to diminish later in the decade.

Mr. Dallara commented that Mr. Anson's proposed addition to the text of the final sentence was useful. Mr. Prowse's concern could perhaps be met by substituting the word "moderate" for "diminish" in the final sentence.

Mr. Anson suggested that the words "by the Fund" should be added after the word "financing" in the final sentence, and the words "implying a lesser need for the use of Fund resources" could be deleted.

The Executive Directors agreed that paragraph 6 should read:

> In their discussion on the likely need by members for Fund resources during the 1980s, most Directors are of the view that the need for Fund support of members' balance of payments adjustment programs cannot be expected to diminish in the years ahead, especially in the light of uncertainties and difficulties in the financial system that are, inter alia, associated with the servicing of international debt and related capital flows. These Directors believe that the increase in quotas under the Eighth General Review needs to be sufficiently large for the Fund to finance an appropriate level of access to its resources to promote adjustment. Some Directors hold the view that, following the exceptionally widespread adjustment efforts currently being supported by the Fund, payments imbalances that would require conditional financing by the Fund can be expected to moderate later in the decade.

Paragraph 7

Mr. Dallara suggested that the following sentence be added to the seventh line: "A number of Directors have indicated that they could support an increase in the size of the Fund to within the range of SDR 85-100 billion." The text could then say that "some of these Directors believe that an increase in quotas of 50 per cent to somewhere in the order of SDR 90 billion is a minimum." He would not necessarily wish the text to imply that chairs in addition to his own preferred an increase to SDR 85 billion. If the additional sentence that he had read was accepted, he was willing to see the final sentence of the present text deleted.

Mr. Anson stated that Mr. Dallara's proposal was acceptable.

Mr. Joyce said that he could accept Mr. Dallara's suggestion if it was amended to read: "A number of Directors have indicated that they could support a total size of the Fund within the range of SDR 85-90 billion. In the course of the discussion, most Directors have indicated that an increase in the Fund to SDR 100 billion would be acceptable." He, for one, did not wish to be included among the Executive Directors who favored a range beginning at SDR 85 billion.

Mr. Malhotra considered that the text should be left as it was, as it adequately reflected the various positions that Executive Directors had taken. Many of the Executive Directors who were willing to accept the figure of SDR 100 billion were already making a considerable compromise.

Mr. Laske stated that he could accept the sentence suggested by Mr. Dallara and welcomed the proposal for deleting the final sentence.

Mr. Hirao said that he too favored the range that Mr. Dallara had suggested, namely, SDR 85-100 billion.

Mr. Prowse remarked that the position of one of his countries fell within the range of SDR 85-100 billion; therefore, Mr. Dallara's proposal was acceptable. It would in any event be of more practical use than the original text.

Mr. Laske commented that he took Mr. Dallara's suggestion to cover all Executive Directors who could accept a figure between SDR 85 billion and SDR 100 billion. That range covered his position, as he had consistently favored a 50 per cent increase in quotas.

The Chairman remarked that an advantage of Mr. Dallara's proposal was that it would enable the Executive Board to agree to eliminate the final sentence of the text. As a rule, it was best to avoid isolating a single country in describing the Executive Directors' various positions on an issue.

Miss Le Lorier commented that the words "in a spirit of compromise" could usefully be added to the opening sentence. They would show that Executive Directors had not abandoned their long-held preferences on the size of the overall increase, and that views on the size had narrowed because Directors were willing to compromise.

Mr. Joyce said that he was pleased to include a sentence noting the range of SDR 85-100 billion to avoid isolating the position of the United States in the report. Mr. Polak's version would be acceptable, if it said that most of the Executive Directors concerned favored an increase to SDR 100 billion, and some of them were only prepared to go as high as SDR 90 billion.

Mr. Polak commented that Mr. Dallara's proposed sentence would be acceptable if it said that some of the Executive Directors covered by the range of SDR 85-100 billion believed that an increase to somewhere in the order of SDR 90 billion was the minimum, while others felt that SDR 100 billion was the minimum.

Mr. Malhotra considered that, if the range of SDR 85-100 billion was to be mentioned, it would also be appropriate to note that some Executive Directors favored an increase to SDR 125 billion. Accordingly, the text could say that "those Directors who believed that an increase in the size of the Fund to the order of SDR 125 billion would be appropriate were of the view that a minimum size of SDR 100 billion could be an acceptable compromise."

After a further brief discussion, Mr. Joyce suggested that, after mentioning that some Executive Directors favored a doubling of present quotas, the text could state that the same Directors were prepared to accept an overall size of the Fund of SDR 100 billion as a minimum.

Mr. Polak remarked that it would be desirable to show, more clearly than Mr. Dallara's language would, the positions of the Executive Directors who favored an overall size of the Fund in the range of SDR 85-100 billion.

Mr. Anson said that it might be best to mention, first, the group of Executive Directors who favored a doubling of quotas, and second, the group that was covered by an overall increase in quotas to SDR 85-100 billion. The text could then state that some of the Executive Directors did not feel that a doubling would be appropriate and could support a total size in the range of SDR 85-100 billion, and that some of them felt that a 50 per cent increase in quotas was a minimum.

After a further brief debate, the Executive Directors agreed that the text should read:

> In the light of these considerations, Directors' views on the size of the overall increase, which, in a spirit of compromise, have narrowed considerably since the last meeting of the Committee, may be summarized as follows:

(i) Most Directors believe that an approximate doubling of the Fund's quotas, from the present total of SDR 61.1 billion to SDR 125 billion, would be appropriate. Some of these Directors are of the view that more than a doubling of present quotas is needed. All of them could accept an overall size of the Fund of SDR 100 billion as a minimum.

(ii) Other Directors have indicated that they could support an overall size of the Fund that lies within the range of SDR 85-100 billion, and some of these Directors believe that an increase in quotas of 50 per cent to the order of SDR 90 billion is a minimum.

(iii) In the course of discussion, most Directors have indicated that an increase in Fund quotas to SDR 100 billion would be acceptable.

Paragraph 8

Mr. Prowse suggested that the first sentence could be shortened to read: "A number of Directors believe that if the total of Fund quotas is less than SDR 125 billion, the interval...." In addition, adding the words "without a reduction in the normal review period" to the final sentence would clarify the intention of the text.

Mr. Dallara commented that the final sentence could usefully be changed to read: "The view is also put forward that the acceleration in the timetable for completing the Eighth General Review, with a view to having the new quotas come into effect in late 1983 or early 1984, rather than late 1985, would have the result that the start of the period for the next review of quotas would be effectively advanced."

The Executive Directors accepted the proposed text, as amended by Mr. Prowse and Mr. Dallara.

The Executive Directors agreed to continue their discussion on the draft report on January 13, 1983.

APPROVED: June 22, 1983

JOSEPH W. LANG, JR.
Acting Secretary