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October 5, 1981

To: Members of the Executive Board
From: The Secretary
Subject: France - Exchange Measures

The attached communication dated September 25, 1981, from the Executive Director for France, is circulated for the information of Executive Directors.

Att: (1)

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ATTACHMENT

OFFICE MEMORANDUM

To: The Managing Director

September 25, 1981

From: Paul Mentr  de Loye

Subject: France--Exchange Measures

I have received from the Ministry of Economy and Finance the attached communiqué describing some technical additional exchange control measures adopted on September 18. These measures complement the monetary decisions already enacted on May 21, 1981.

QUOTE:

Whereas world exchange markets have again entered a stage of intense agitation, the Minister of Economy and Finance has now decided upon new measures designed to protect the franc against over-agitation on the market and the resulting expectations.

These measures, which do not obstruct the normal course of current transactions, are aimed at ensuring that capital transfers engendered by the present extreme volatility of the markets and the pressures exerted by very high interest rates do not affect the stability of our currency, which the Government regards as an essential element of its economic policy.

The measures are twofold:

To maintain interest rates in France at a level adjusted to that of other countries, the Bank of France will modify its intervention practices so as to bring about an increase in money market rates.

The forward cover facility for importers is temporarily suspended. Thus companies are being called upon to demonstrate solidarity in the overall endeavor for the development of our economy. This should be facilitated by the recent drop in the dollar and other currencies in which, to a great extent, our raw materials and energy supplies are denominated.

END QUOTE