

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 91/173

3:00 p.m., December 27, 1991

R. D. Erb, Acting Chairman

Executive Directors

G. K. Arora
Che P.

T. C. Dawson

I. Fridriksson

A. Mirakhor

G. A. Posthumus

Alternate Executive Directors

B. R. Fuleihan, Temporary

G. C. Noonan

J. Prader
M. Mrakovcic, Temporary
N. Kyriazidis
A. F. Mohammed

N. Tabata
B. Esdar
C. D. Cuong, Temporary
J. C. Jaramillo
I. Martel

J. M. Jones, Temporary
P. Wright

Y.-M. T. Koissy Temporary
A. Martinez-Alas, Temporary
L. E. Breuer, Temporary

J. W. Lang, Jr., Acting Secretary
K. S. Friedman, Assistant

1. Ukraine - Application for Membership Page 3
2. Russian Federation - Report by Deputy Managing Director Page 3

Also Present

African Department: G. E. Gondwe, Deputy Director; C. Brachet, J. Dongala, C. François, K. K. Meyers. Central Asia Department: I. Otani. Southeast Asia and Pacific Department: L. M. Koenig, J. Wang. European Department: J. Artus, Deputy Director; J. Odling-Smee, Deputy Director; P. C. Hole, I. Kapur. Exchange and Trade Relations Department: J. Ferrán, Deputy Director; H. M. Flickenschild, M. R. Kelly, S. Kanesa-Thasan. External Relations Department: M. A. Seeger. Fiscal Affairs Department: I. Coelho. Legal Department: R. H. Munzberg, Deputy General Counsel. Middle Eastern Department: A. S. Shaalan, Director. Research Department: M. Mussa, Economic Counsellor and Director; H. Hernández-Catá, G. Calvo. Statistics Department: K. W. O'Connor. Treasurer's Department: D. Williams, Treasurer; O. Roncesvalles. Western Hemisphere Department: C. M. Loser, Deputy Director. Personal Assistant to the Managing Director: B. P. A. Andrews. Advisors to Executive Directors: M. B. Chatah, A. Gronn. Assistants to Executive Directors: B. Bossone, J. H. Brits, Chen M., S. K. Fayyad, J. Jamnik, J. Jonas, W. Laux, L. F. Ochoa, R. K. W. Powell, S. Rouai, P. L. Rubianes.

1. UKRAINE - APPLICATION FOR MEMBERSHIP

The Acting Chairman informed Directors that an application for membership had been received from Ukraine on December 27, 1991 (EBD/91/324, 12/27/91).

2. RUSSIAN FEDERATION - REPORT BY DEPUTY MANAGING DIRECTOR

The Deputy Managing Director said that he had recently met with the Economic Counselor and the Third Secretary of the Russian Embassy. He had been given a letter to the Managing Director (EBD/91/325, 12/27/91) from the Ambassador "confirming that the status of special association of the U.S.S.R. in the International Monetary Fund is continued by the Russian Federation." Attached to that letter was a statement from the Ministry of Foreign Affairs of the Russian Federation that, as he understood it, was an adaptation of a general umbrella statement that was being provided to all international organizations.

In receiving the letter, the Deputy Managing Director continued, he had asked whether the statement by the Foreign Ministry also applied to the membership application from the U.S.S.R., and he had been told that the answer was in the affirmative--any document that had been received from the U.S.S.R. would thenceforth be a document from the Russian Federation. He had also asked whether Paragraph 6 of the special association agreement, which provided a framework within which the Fund could have contacts with each of the republics of the former union, was covered by the Foreign Ministry's statement. In response, the representatives from the Embassy had said that they recognized that the statement by the Foreign Ministry raised some issues, and that other parts of the special association agreement might also look somewhat incongruous if the words Russian Federation were substituted for the U.S.S.R. He had informed the representatives that he would contact them concerning any issues or questions that might arise as the Fund took the step of substituting the words Russian Federation for U.S.S.R. in the documents that the Fund had received.

In explaining the approach that they were taking, the representatives from the Embassy had expressed their reluctance to engage in modifications of the texts of agreements involving the U.S.S.R, the Deputy Managing Director remarked. The representatives had indicated that all the former republics had accepted the content of the statement by the Foreign Ministry; although the recent agreement among the former republics referred specifically to the United Nations, there was also an understanding among the former republics that other international arrangements would be continued by the Russian Federation.

Management and staff would wish to review the legal implications for the Fund of substituting the words Russian Federation for U.S.S.R., including the practical implications with respect to both the membership application from, and the special association agreement with, the U.S.S.R., the Deputy Managing Director said in conclusion.

Mr. Fridriksson remarked that it would be helpful to have at the present stage at least some preliminary reflections on the legal issues with respect to the special association agreement.

The Deputy General Counsel commented that the special association agreement was a contract that had been signed by the Fund and the U.S.S.R. The staff would have to analyze the effects of changes with respect to one party and the meaning and effects of substitution with respect to that particular contract. The fact that the U.S.S.R. had been a union, and that the special association agreement contained references to republics, raised particular issues that would have to be examined. The staff would circulate a paper containing the findings of its examination. The staff's analysis of the various issues would be brought to the Board for its consideration.

Mr. Dawson said that he wondered whether the staff had noted any ambiguities in substituting the Russian Federation for the U.S.S.R. in the membership application. Did the staff yet have views on the implications of a change in the name of the country making an application?

The Deputy General Counsel replied that there was an important distinction between a change in the name of a country making application and the substitution of one country for another in the application. The staff would wish to look carefully at that issue. It was useful to bear in mind that an application did not create rights and obligations, while membership did. However, he hastened to add that the staff would not wish to try to reach any conclusions at the present stage on the implications of the statement by the Foreign Ministry.

The Deputy Managing Director noted that, in the final analysis, it might be easier for the President of the Russian Federation to submit a new membership application, which might raise different issues from those concerning the special association agreement.

The Deputy General Counsel commented that it seemed clear from a first reading of the Foreign Ministry's statement that its implementation would require changes in the special association agreement.

The Deputy Managing Director said that some of those changes would certainly be in the interest of the Russian Federation itself, because Paragraph 6 could be interpreted to mean republics of the Russian Federation.

The Executive Directors concluded for the time being their consideration of the statement by the Foreign Ministry of the Russian Federation.

APPROVED: June 26, 1992

JOSEPH W. LANG, JR.
Acting Secretary

