

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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CONFIDENTIAL

July 16, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Viet Nam - Overdue Financial Obligations to the Fund

Attached for the information of Executive Directors is the text of a communication dated July 15, 1985 sent by the Managing Director to the Honorable Nguyen Duy Gia, Minister, Director General, State Bank of Viet Nam.

Att: (1)

ATTACHMENT

July 15, 1985

Dear Mr. Gia:

I am writing to you about Viet Nam's accumulating overdue financial obligations to the Fund and the need for early settlement of these obligations. You will have noted from my summing up at the conclusion of the Executive Board's discussion of the 1985 Article IV consultation that Executive Directors expressed extreme concern about this situation. The Board has asked that I write to you to convey that concern directly and to urge again that the obligations be settled promptly.

Almost six months have now passed since Viet Nam was declared ineligible to use the Fund's general resources and its right to use newly acquired SDRs was suspended. During this period no payments have been made, nor has Viet Nam indicated any intention to make payment in the near future. The amount of overdue obligations has accumulated further and now stands at SDR 38.1 million. As has been stressed on earlier occasions, Viet Nam's payments record is in marked contrast to other cases of overdue financial obligations to the Fund that have been considered by the Executive Board, in which members whose circumstances appear less favorable than those of Viet Nam have made strong efforts to become current in their obligations to the Fund. It is also in contrast to the many other members which, despite severe difficulties, have remained current in their obligations. The situation is most unsatisfactory and damaging to the interests of Viet Nam and of the Fund.

Restoration of eligibility to use Fund resources is clearly in Viet Nam's interest at a time when external resources are needed in support of strong adjustment measures by Viet Nam. In this regard, the decisions in principle which you communicated to the Fund on July 1, 1985 are certainly steps in the direction of correcting basic economic weaknesses. As you know, the staff and I stand ready to assist in any way we can in the further elaboration of policies that could be adopted to strengthen the balance of payments. However, the Fund cannot support any such program financially if normal financial relations between the Fund and Viet Nam are not restored. This will require settlement of the overdue obligations.

I hope you will be able to indicate that prompt and effective action is being taken to achieve this end. I look forward to your early and positive response.

Sincerely yours,

J. de Larosière
Managing Director

The Honorable Nguyen Duy Gia
Minister, Director General
State Bank of Viet Nam
Hanoi, Viet Nam