INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

NINTH MEETING OF MINISTERS

COMMUNIQUÉ

Washington, D.C.
January 13-14, 1975

1. The Ministers of the Group of Twenty-Four held their Ninth Meeting at the headquarters of the International Monetary Fund, Washington, D.C. on January 13 and 14, 1975. Mr. N. M. Perera, Minister of Finance of Sri Lanka, was in the chair, with Mr. Juan Elespuru, representing the Minister of Economy and Finances of Peru, and Mr. K. Donkoh Fordwor, Special Assistant responsible for Finance of Ghana, as Vice-Chairmen. The meeting was attended by Mr. H. J. Witteveen, Managing Director of the International Monetary Fund, Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development, Mr. R. McNamara, President of the World Bank, and Mr. Henry J. Costanzo, Executive Secretary of the Joint Ministerial Committee of the Boards of Governors of the World Bank and International Monetary Fund on the transfer of real resources to developing countries.

2. The meeting was preceded by the Eighteenth Meeting of the Deputies with Mr. Lal Jayawardena, Sri Lanka, in the chair, Mr. Carlos Santistevan, Perú, as Vice-Chairman, and Mr. Danso Misa, Ghana, as rapporteur.

3. Ministers reviewed the world economic situation and expressed concern at the adverse impact that the intensification of recessionary trends in the industrialized countries was having on the already precarious balance-of-payments position of most of the developing countries. They expressed the hope that effective measures would be taken by industrialized countries to stimulate economic activity without adding to inflationary pressures. They stressed the need to avoid the escalation of trade restrictions and discriminatory trade arrangements on the part of industrialized countries.

4. Ministers reiterated their view that the International Monetary Fund was the appropriate organ for agreement on international monetary questions, and that all decisions affecting the international financial community should be negotiated and Implemented within the Fund.

5. Ministers expressed their dissatisfaction that important decisions affecting the international monetary system had been taken outside the International Monetary Fund.

6. Ministers agreed that there was a continuing and increased need for official financing facilities to meet current payments problems as well as to foster economic development, they therefore supported the continuation of the oil facility in 1975, as already provided for, without unduly burdensome terms and conditionally so that it would give adequate access to members, particularly to those in greatest need. Ministers saw an urgent need for interest relief for the most seriously affected low income countries purchasing under the facility. In their view, the

resources for such relief should be provided within the International Monetary Fund by members with the capacity to do so, Ministers considered that the trust fund proposal before the Interim Committee was not a realistic mechanism for this purpose, nor was it acceptable as an alternative to the Link; but they were agreeable to studying it, along with other trust fund proposals. In the context of solutions that might be sought on other issues. Ministers also expressed their conviction that additional means should be found to meet the payments needs of developing countries arising at this time, including the activation of the Extended Fund Facility, which should be expanded and made more flexible.

7. Ministers also stressed the need for longer-term development finance. They welcomed the additional development assistance provided by the major oil-exporting countries, as well as the balance-of-payments support given by them. Ministers emphasized that the capital needs of the developing countries called for the provision of additional funds by all countries with the capacity to supply them, as the establishment of new multilateral facilities of a long-term character.

8. Ministers reiterated their view that any solution to the question of gold should not jeopardize the effective implementation of the link and the international management of global liquidity; that it should serve to promote the objectives of the reform, with the SDR becoming the principal reserve asset and with the role of gold and reserve currencies being gradually reduced; that it should not accentuate the already inequitable distribution of world liquidity; and that it should be internationally agreed in the Fund. Ministers would only accept new arrangements for gold on the basis of these principles.

9. Ministers considered that an increase in IMF quotas was urgently needed and should not be delayed. In their view, the enlargement of the Fund should be of the order of 50 percent. Ministers were emphatic in their support for a major increase in the quota shares of major oil-exporting countries and for a satisfactory increase in those of the other developing nations. Ministers agreed that the gold subscription to quota increases should cease to be obligatory.

10. Ministers reiterated their position that they would only accept a package of amendments that achieved a fair balance between the interests of developing countries and other countries. In this connection they reaffirmed their strong support for the establishment of a link consisting of direct allocations of "linked" SDRs to developing countries.

11. Ministers also discussed other proposals for amendment of the Articles of Agreement of the International Monetary Fund. They expressed their opposition to the incorporation of a "trade pledge" in the Articles of Agreement. They also registered their support for amendments designed to strengthen the role of the SDR and to facilitate the operation of the General Account, and called for additional measures to increase and improve the access of member countries to Fund resources. Ministers reaffirmed their stand against the legalization of floating other than in particular circumstances under Fund authorization and surveillance in a manner designed to prevent undue instability in the values of the major trading currencies. Ministers were of the view that a decision on the establishment of a Council should be taken after sufficient experience had been gained with the Interim Committee.

12. Ministers expressed their wish to work towards a set of amendments to the Articles of Agreement of the International Monetary Fund that would constitute an equitable code of conduct setting forth the rights and duties of states in the international monetary sphere.

13. Ministers exchanged views on the issues before the forthcoming meeting of the Development Committee. Ministers recognized the urgency of the problems facing the most seriously affected countries, and agreed that the Committee should also address itself to the capital needs of all the developing countries, both in the immediate future and in the longer term. Ministers expressed their strong support for the five-year lending program proposed by the management of the World Bank and saw a pressing need for additional multilateral facilities to finance development. In this context, they favored the establishment, as soon as possible, of a special fund such as that proposed by Iran, with contributions from both developed and major oil-exporting countries, to be managed by donors and recipients in a balanced manner. Equally, they endorsed the proposal to establish a third window in the World Bank as soon as possible; they urged that the requisite interest subsidy should be sought from all possible sources. They also drew attention to the need to complete the replenishment of IDA without further delay.

14. Ministers also saw the need to explore proposals capable of prompt implementation to improve the access of developing countries to financial markets. Ministers favored increased program lending by the IBRD and IDA. They agreed that the future work of the Committee should also include the proposal for a supplementary financing scheme within the World Bank, first mooted a decade ago, and concrete proposals for financing arrangements to protect and expand the real value of the export earnings of developing countries from their trade, especially in primary commodities, in cooperation with UNCTAD and the International Monetary Fund.