INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

TENTH MEETING OF MINISTERS

COMMUNIQUÉ

Paris, France
June 8-9, 1975

1. The Ministers of the Group of Twenty-Four held their Tenth Meeting at the Centre de Conferences Internationales, Paris, on June 8 and 9, 1975. Mr. N. M. Perera, Minister of Finance of Sri Lanka, was in the chair, with Mr. Sanchez Gongora representing the Minister of Economy and Finances of Peru, and Mr. Donkoh Fordwor, Special Assistant responsible for Finance of Ghana, as Vice-Chairmen. The meeting was attended by Mr. H. J. Wittevenn, Managing Director of the International Monetary Fund, Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development, Mr. E. Stern, World Bank, and Mr. Konan Bodie, Chairman 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 Nineteenth Meeting of the Deputies with Mr. Lal Jayawardena, Sri Lanka, in the chair, Mr. Sánchez Gongora, Perú, as Vice-Chairman, and Mr. Danso Misa, Ghana, as rapporteur.

3. Ministers expressed grave concern at the adverse impact of inflation and the continuing recession in several developed countries on both the real value and volume of exports of developing countries and the sharp deterioration of their terms of trade. The result of these development has been a worsening of the overall balance-of-payments problem for the developing countries. Ministers took note that the exceptionally large need for additional capital inflows was the result of continuing malfunction in the international economy as a whole, which imposed an inequitable burden on the developing countries.

4. During the period since the ministers met in January, 1975, developments in the world economy have been seriously adverse to the developing countries. Recessionary trends in most developed countries have proved more severe than had been expected. Although in some developed countries rates of price increase have been reduced modestly, inflation continues at a very high rate. The short-term trade and balance-of-payments outlook for developing countries has deteriorated significantly.

5. In view of the considerations urged in the preceding paragraphs Ministers stressed that additional external resources were required by low-income developing countries and by all other developing countries, and urged that appropriate solutions were needed to tackle the problem in its entirety. In this context, they emphasized the need for international cooperation in all fields -- monetary, trade and financial -- and for new techniques to bridge the prospective payments gap of all developing countries and to prevent lasting disruption of their development prospects.

6. On gold, Ministers recommended that the amended Articles of the Fund should oblige each member of the International Monetary Fund to undertake to collaborate with the Fund and with other members regarding the policy of the member with respect to gold, and that any action by any member or arrangements among members with respect to gold should be consistent with the Articles of Agreement and with policies designed to ensure the gradual reduction of the role of gold in the international monetary system and the strengthening of the role of the SDR. Ministers examined the various proposals which have been under discussion in the IMF for the disposal of the gold held by the Fund. They found that none of these proposals in their present form was acceptable to the developing nations. They indicated however, that no arrangements with regard to gold would be acceptable that are not designed to raise substantially the flow of financial resources to developing countries, without imposing a loss on any individual developing country. The Ministers reaffirmed that no decision on gold should accentuate the already inequitable distribution of international liquidity.

7. Ministers saw a need to finalize the sixth general review of quotas in line with the agreement reached by the Interim Committee at its January meeting which provided for doubling the aggregate share of the major oil exporting countries in IMF quotas and maintaining the aggregate share of the other developing countries which is presently 22.73 percent. Ministers urged that, in the interests of international cooperation, agreement should be reached swiftly on the quotas of individual developed countries. Ministers expressed support for amendment of the Fund's Articles designed to provide flexibility in the means of payment for quotas. Ministers stressed that in future quota reviews the share of developing countries should gradually increase, and that countries not satisfied with the quota increase should have an opportunity to make representations before quotas are approved. Ministers agreed that quota increase for any country or group of countries should in no way be made conditional on the usability of currencies. They further agreed that decisions to increase the number of elected Directors, and consequently of members of the Interim Committee, Development Committee and possible Council, should be subject to a majority of not more than 73 percent of the total voting power. Ministers agreed that the present representation of developing countries in the decision-making bodies of the Bank and Fund should be substantially improved and the broad geographical representation of developing countries should not be adversely affected.

8. On exchange rates, Ministers reaffirmed the stand that they had taken at the previous meeting against the legalization of floating other than in particular circumstances subject to conditions which should take account of the characteristics of countries and in a manner designed to prevent undue instability in the value of major trading currencies. Ministers expressed support for amendments envisaging a return at the appropriate time to a system of par values, containing provisions for the establishment of central rates and empowering the Fund to authorize individual countries to continue to float thereafter in particular circumstances.

9. On the proposal to establish a Council, Ministers agreed that such a decision could not be taken now, but only after further experience had been gained with the Interim Committee, and by an 85 percent majority of the total voting power.

10. Ministers agreed that the oil facility had made a useful contribution to the adjustment process, for both developed and developing countries. Ministers welcomed the fact that resources

are being committed for the oil facility, allowing it to operate in 1975. Ministers stressed that the tightening of criteria governing access to the facility was inappropriate and that the conditionality governing use should be relaxed when the facility comes under review in July. Ministers noted that the principal contributors to the facility were developing countries which share the unanimous position of the developing countries on the issue of conditionality. In particular Ministers stressed that in view of the inability of developing countries to reduce their dependence on imported sources of energy the related conservation measures governing access to the oil facility should not be imposed. They also stressed the need for developing countries contributing to the oil facility to have an increased role in framing the policies governing access to the oil facility. Ministers expressed disappointment at the lack of positive response thus far on the part of several major developed countries to the proposed Subsidy Account, and urged that all countries in a position to contribute should do so early. Ministers agreed that, in view of the massive deficit in prospect for the developing countries it was necessary for the oil facility, possibly broadened in its objectives, to continue for a longer period than had originally been envisaged. Ministers also agreed that the financing needs of developing countries would require enlargement of IMF quota tranches, in addition to and not as a substitute for the oil facility.

11. Ministers saw need for improvement in IMF facilities. They urged the liberalization of the Compensatory Financing Facility, so as to expand its coverage of current account transactions to include services; to ensure that, wherever possible, compensation of export shortfalls takes place at the same time that it occurs, and takes into account movements in import prices; and to lengthen the repayment period. Ministers urged that drawings under the Buffer Stock Financing Facility should be accorded treatment with respect to floating alongside the gold tranche similar to that governing those under the Compensatory Financing Facility, and that the IMF should be empowered to lend directly to buffer stock agencies organized either by producer-consumer groups or by producer groups alone under suitable guarantees by interested members of the IMF.

12. Ministers reaffirmed their support for the early establishment of a link between allocation of SDRs and development finance.

13. Ministers having reviewed the results of the work of the Development Committee to date, expressed the hope that the Committee would come forward quickly with concrete recommendations to deal with the problem confronting all developing countries in addition to the items presently on its agenda.

14. In order to make progress toward the substantial additional capital required by the developing countries to achieve the agreed rate of growth for the Second Development Decade, Ministers emphasized that developed countries should take steps to increase the net flow of Official Development Assistance (ODA) to reverse the current downward trend and make progress toward meeting the agreed ODA target of 0.7 percent of GNP. In this context Ministers noted that OPEC as a group had contributed 2.2 percent of GNP to ODA, whereas the figure for DAC member countries was 0.33 percent.

15. Ministers emphasized the need to enlarge the lending of the World Bank and the regional banks and endorsed the expanded five year lending program proposed by the management of the World Bank. They stressed the urgent need to expand the capital base of the World Bank and the

regional institutions as soon as possible.

16. Ministers expressed their support for the immediate establishment of the Third Window in the Bank which could provide $1 billion of additional lending. They urged universal contributions on the part of all countries with a capacity to contribute to be made on the basis of certain criteria to be applied to all donors as soon as possible so that the facility could become operational by July 1, 1975.

17. Ministers also stressed the need for the establishment of a Trust Fund, financed from a number of sources, and subscribed to universally by all countries with capacity to contribute, to provide urgently needed additional balance-of-payment support over the next several years on concessional terms.

18. Ministers agreed that eligibility for both the Trust Fund and the Third Window should take into account the needs of low-income developing countries and other developing countries, within the resources which may become available. They stressed that these facilities should be supplements to presently existing facilities.

19. Ministers emphasized that priority should be accorded to IDA, which assists the poorest countries and recommended that the next IDA replenishment should offset the effects of inflation and provide for a substantial increase in real terms.

20. Ministers were of the view that the deterioration in the terms of trade of developing countries due, among other factors, mainly to the declines in commodity prices, emphasized the need for measures to safeguard in real term the export earnings of developing countries. In this context, they expressed support for an expansion of and improvement in IMF Buffer Stock Financing Facility and welcomed the initiatives taken by the World Bank for financing buffer stocks. They also strongly endorsed the objectives set forth by developing countries concerning buffer stocks and the UNCTAD Integrated Commodity approach. Ministers also welcomed the initiatives that had been taken by certain developing countries to provide finance for buffer stocks. Ministers were of the view that negotiations in, and action by, any international body on commodities should not be delayed or hindered by the fact that proposals on commodities were under consideration in other fora. The Ministers recommended to the Development Committee that it encourage member countries and the appropriate international institutions to consider other measures, including those needed to expand the exports of manufactured goods from developing countries.

21. Ministers also recommended to the Development Committee that it should consider other proposals before it to meet the capital requirements of all the developing countries. They therefore suggested that a special working group be established to develop proposals in detail on improved access to capital markets. In particular, the working group should consider the feasibility of a multilateral Guarantee Fund. The working group should report to the next meeting of the Development Committee.