INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

TWELFTH MEETING OF MINISTERS

COMMUNIQUÉ

Kingston, Jamaica
January 6, 1976

1. The Ministers of the Group of Twenty-Four on international monetary affairs held their twelfth meeting in Kingston, Jamaica on January 6, 1976. Mr. Carlos Santistevan, President of the Central Bank of Perú, was in the Chair, with Mr. Kwame Fordwor, Special Assistant responsible for finance of Ghana and Mr. Osman Ali, Governor of the Reserve Bank of Pakistan, as Vice Chairmen. The meeting was attended by Mr. G. D. Arsenis, UNCTAD, Mr. Konan Bidig, Chairman of the Joint Ministerial Committee of the Board of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources, Mr. M. A. Hassanein, OPEC, Mr. E. Stern, World Bank, and Mr. H. J. Witteveen, Managing Director of the International Monetary Fund.

2. The meeting was preceded by the twentieth meeting of the Deputies of the Group of Twenty-Four with Mr. M. Moreyra, Perú, in the chair, and Mr. H. Danso-Misa, Ghana, as Vice-Chairman.

3. Ministers noted with grave concern the continuing deterioration in the international environment for the development of their economies as reflected in highly discouraging trends of aid flows and trade of developing countries. Performance of developed countries in fulfilling obligations under internationally agreed targets has fallen far short of both their capacity to provide assistance and the objective needs of developing countries. They pointed out that the Development Committee, which was charged with the function of finding effective solutions to these problems, has not made progress for want of adequate cooperation and exercise of political will on the part of major developed countries. Ministers also expressed their strong disappointment that the interests and concerns of developing countries have received so little attention in the negotiations on international monetary reform, and that decisions affecting all countries continued to be taken in restricted groups of countries. They emphasized that unless there was a fundamental change in the attitude of developed countries, the dialogue on international economic cooperation now under way in many fora is unlikely to produce any constructive results.

4. Ministers agreed that the various issues before the Interim and Development Committees were closely interrelated. They stressed that a successful conclusion of the forthcoming meetings of the Committees would, as a minimum, depend on a set of measures of particular importance to developing countries being adopted by those Committees, and agreed, to that end, to be in close consultation with each other in the coming days.

5. Ministers noted that, as had been amply shown by studies undertaken by the IMF and IBRD, the current-account position of non-oil exporting developing countries had deteriorated by approximately $7.5 billion from 1974 to 1975 to reach a deficit of $35 billion. By contrast, that of developed countries had improved by $27 billion over the period to register a surplus of $16 billion in 1975. Ministers pointed out that the inelasticity of demand for imports of developing countries has helped the developed countries by serving as a buffer to deeper recession, and that expansion of the import capacity of developing countries would alleviate significantly the problems of both developed and developing countries.

6. Ministers, recalling the strong reservations registered at the last meeting of the Interim Committee in connection with the proposed arrangements on gold, expressed strong dissatisfaction with the fact that those proposed arrangements would grossly distort the distribution of international liquidity at the expense of developing countries, and undermine the position of the SDR. They strongly emphasized that the developing countries would not accept or condone any infringement of the Fund's Articles of Agreement regarding purchases by national monetary authorities of gold above the present official price. Ministers were of the view that ways existed for activating the Trust Fund prior to amendment of the Articles without violating the present Articles.

7. Ministers urged that, in the future, in the course of disposing of the portion of its gold holdings remaining after the disposal of the first 50 million ounces, the Fund should arrange for the bulk of the benefit to go to the developing countries, with the Fund empowered to distribute to developing countries directly a portion of the profits on the basis of quotas, either in currency or in specie.

8. There was strong support among Ministers in favor of an enabling clause for a gold substitution account in the amended Articles of Agreement.

9. Ministers agreed that the reconstitution requirements for special drawing rights should be abrogated both entirely and immediately.

10. Ministers agreed that each member of the IMF should undertake to collaborate with the Fund and with other members in order to ensure that the policies of the member with respect to reserve assets is consistent with the objective of making the special drawing right the principal reserve asset in the international monetary system.

11. Ministers agreed that in interpreting the obligations and applying the principles under the amended Articles dealing with exchange arrangements, the IMF should pay due regard to the special circumstances of the developing countries and to the importance of currencies for the international financial system.

12. Ministers were opposed to calling upon the Fund, explicitly, to discourage the maintenance of unrealistic par values. They were prepared to see the Fund encourage realistic par values, but the Fund should do so particularly with respect to the par values of major currencies.

13. Ministers expressed strong support for a substantial enlargement on a permanent basis of the access of developing countries to Fund credit. They advocated the immediate addition of two credit tranches with the same conditionality as the first credit tranche.

14. Ministers agreed that the conditionality attached to the use of Fund resources in the higher credit tranches was currently excessive and required reduction.

15. Ministers reaffirmed their request for early action to establish a Trust Fund to provide substantial and additional balance-of-payments assistance to low-income developing countries.

16. Ministers noted that the liberalization of the compensatory financing facility agreed by the Executive Board fell far short of the expectations of the developing countries, and suggested that there should be an early review of the facility to:

a) provide for shortfalls to be calculated in real terms;
b) expand the facility and extend the repayment period.

17. Ministers noted that although it had been decided at the final meeting of the Committee of Twenty that the link should be considered as part of the interim package, it was not included in the package before the Interim Committee. Ministers reaffirmed their strong support for an enabling clause to permit the link to be established.

18. Ministers expressed grave concern at the maintenance and intensification of restrictions on access to markets for primary commodities which were causing great damage to the balance-of-payments positions of the producing countries, and stressed the need to remove such restrictions immediately. Ministers were also agreed that there was an urgent need to stabilize the prices of primary products; the Development Committee should undertake an early review of the IMF Buffer Stock Financing facility.

19. Ministers were of the view that the relevant provisions of the Rome Communiqué and the trade pledges in the OECD had as their rationale the discouragement of escalation of trade restrictions in developed countries. They expressed regret that those pledges were not being fully observed by the industrial countries at the same time as the developing countries were being pressed to avoid trade restrictions, even when these were necessary for the maintenance of their development programs.

20. Regarding access to capital markets by developing countries, Ministers urged the early completion of studies in the Development Committee which would enable prompt and effective measures of an operational character to be taken, particularly regarding obstacles to access to capital markets and the creation of a multilateral guarantee fund designed to secure additional resources for developing countries that do not have access to private capital markets. Ministers were of the view that developing countries with access to private capital markets should not for that reason be denied access to borrowing from development finance institutions.

21. Ministers stressed the need for international financial agencies to help establish a secondary market for debt instruments issued by developing countries by investing part of their liquid assets

in such paper, and by other means. Ministers also emphasized that co-financing could make a substantial contribution to meeting the capital needs of developing countries.

22. Ministers acknowledged with satisfaction that OPEC countries have increased substantially their financial assistance to other developing countries, noting that it multiplied five-fold between 1973 and 1974 to a figure approaching $15 billion, divided roughly evenly between bilateral and multilateral aid. On an annual basis, commitments in the first half of 1975 were running well in excess of $21 billion.

23. Ministers reaffirmed the urgent need for developed countries to reach the 0.7 percent target for official development assistance, and stressed that the Development Committee could and should serve to strengthen the political will required to achieve that target by the end of the decade.

24. Ministers reiterated their strong support for the lending program proposed by the management of the World Bank. They also expressed strong support for a two-step increase in the capital of the Bank of which the first step, which should be undertaken immediately, would consist of a selective increase of approximately $10 billion and the second of a general increase at a later stage. They stressed that a firm recognition should be obtained that the general increase would continue to be an urgent necessity and that it should be completed as soon as possible to avoid any restrictions in the Bank's lending program in the near future.

25. In this connection, Ministers also affirmed that the voting power of the non-oil exporting developing countries should not be reduced from their present level and that the Board representation of those countries should at least be maintained or increased, if necessary, to preserve a balanced geographical representation.

26. Ministers acknowledged with satisfaction the contributions made by some countries to the Third Window of the World Bank and urged that all countries in a position to do so should contribute to that facility without further delay, so as to allow the original target of $1 billion to be reached. They stressed that such contributions should be additional, and that the Third Window should be administered flexibly with regard to access.

27. Ministers expressed concern at the diminishing share of upper and middle income countries in the IBRD's lending program and considered that present lending to these countries should be increased.

28. The Ministers strongly supported a substantially increased replenishment of IDA, in real terms. Negotiations for the replenishment of IDA should be completed by June 1976, in time to ensure continuity of operations.

29. The Ministers also stressed the need to expand the capital of the regional development banks and of the International Finance Corporation.

30. Ministers expressed their concern about the apparent lack of political support from the developed nations for the Development Committee, as well as about the lack of concrete

measures to be adopted to increase the transfer of resources to developing countries. They were of the view that the Committee, its Executive Secretary and associated international organizations, should proceed promptly to consider concrete solutions to existing problems, so as to achieve the objectives of the Committee. Urgent action was seen to be necessary if the minimum acceptable growth targets are to be attained.