INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

SIXTEENTH MEETING OF MINISTERS

COMMUNIQUÉ

México City, México
April 28, 1978

1. The Ministers of the Group of Twenty-Four on International Monetary Affairs held their sixteenth meeting in Mexico City on April 28, 1978. Mr. K, Gyasi-Twum, Ghana, opened the meeting on behalf of Mr. R. K. A. Gardiner, Commissioner for Economic Planning, Ghana, the outgoing Chairman. Mr. S. Osman Ali, Governor of the State Bank of Pakistan, then took the chair, with Mr. David Ibarra-Muftoz, Secretary of Finance and Public Credit, México, and Mr. O. O. Vincent, Governor of the Central Bank of Nigeria, as Vice-Chairmen. The meeting was attended by Mr. G. D. Arsenis, UNCTAD, Mr. E. Stern, Vice-President, World Bank, Mr. Cesar Virata, Chairman, Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, and Mr. H. Johannes Witteveen, Managing Director, International Monetary Fund.

2. The meeting was preceded by the twenty-fifth meeting of the Deputies of the Group of Twenty-Four, Mr. K. Gyasi-Twvm, Ghana, relinquished the chair in favor of Mr. Ziauddin Ahmad, Pakistan. Mr. A. Phillips O., México and Mr. S. B. Falegan, Nigeria, were Vice-Chairmen.

3. The Ministers of the Group of Twenty-Four discussed the general economic situation and took note of a number of developments during 1977 which had led to increased difficulties for the developing countries. The marked decline in the growth rate of industrial countries, the slowing of the growth of the volume of world trade, deterioration in the terms of trade of non-oil developing countries in the second half of 1977, the lack of progress with respect to the access of developing countries to capital markets, and increased recourse to protectionist measures exercised an adverse influence on the growth performance of developing countries. The unsettled conditions in the exchange markets had also aggravated the problems of the developing countries.

4. The Ministers noted that the current-account balance of payments of non-oil developing countries had shown some improvement in 1977, but this was largely due to the measures taken by them to limit imports which adversely affected their investment levels.

5. In discussing the prospects for the world economy in 1978, the Ministers expressed their concern about the projected deterioration of the current-account deficit of the non-oil developing countries from $22 billion in 1977 to $30 billion in 1978.

6. On account of inadequate flows of Official Development Assistance, a number of low-income

developing countries were not able to meet their external financial requirements, while others had to have recourse to sizable borrowings from commercial banks.

7. The Ministers underlined the need for greater coordination in the economic policies pursued by industrial countries which would result in an expansion of world economic activity and world trade to the benefit of the entire international community. Recognizing the growing interdependence between developed and developing countries, the Ministers felt that developing countries could make a significant contribution to world economic recovery if they were provided with adequate long-term financing.

8. The Ministers stressed that inflationary effects, if any, of recovery measures taken by developed countries would be minimized if these countries reviewed rigidities in price and wage policies and reduced the levels of protection against exports from developing countries.

9. The Ministers strongly urged developed countries to avoid import restrictive measures that jeopardize the export growth prospects of developing countries, to gradually dismantle existing protectionist measures and take necessary reallocative measures. Furthermore, they stressed the importance of an early conclusion of the multilateral trade negotiations so that developed countries fulfill their commitments to developing countries undertaken in the Tokyo declaration.

10. The Ministers stressed the need for a substantial increase in the flow of ODA and urged the developed countries that had not yet done so to take appropriate measures to reach the UN Target of 0.7 percent of their GNP.

11. The Ministers noted that multilateral development institutions had played a vital role in the transfer of resources to the developing countries and urged that they should continue to do so. In order to enable them to perform this increasingly important function, Ministers recommended that the capital of these institutions should be substantially augmented.

12. The Ministers took note of a proposal to set up a long-term financing facility for developing countries and suggested that a study on this subject should be undertaken by the Development Committee.

13. Recognizing the importance to low-income developing countries of official debt relief as a significant means of securing an increase in the transfer of resources, the Ministers urged the developed countries to take speedy action pursuant to the agreement recently reached on this subject under the auspices of UNCTAD in Geneva.

14. The Ministers took note of a report by the International Monetary Fund on developing countries' access to capital markets. They were concerned that not much progress had been made in the implementation of the recommenda-tions on the subject by the Development Committee. In fact, restrictions on the outflow of capital had been intensified by certain countries. They appreciated that a review by the IMF would become a regular feature.

15. The Ministers stressed the need for a new allocation of SDRs in order to improve the composition of reserve creation, to increase net reserves of the system and also to contribute

toward making SDRs the principal reserve asset in the international monetary system. Moreover, a new allocation of SDRs will also help meet liquidity requirements of the member countries, especially countries with low reserves and no access to capital markets.

16. The Ministers took note of the recent proposal which would combine the allocation of SDRs with a reduction in the amount of outstanding reserve currencies and expressed the view that the proposal had a number of implications which required further study. They were of the view that further consideration of the substitution proposal should not delay a new allocation of SDRs, and that the proposal should bring about additionality.

17. The Ministers favored measures to increase the attractiveness of the SDR as a reserve asset, and in this context they supported increasing the interest rate on the SDR to 80 percent of the weighted market rate. Also the remuneration rate should be 80 percent of the SDR interest rate to avoid an increase in Fund charges. They agreed that the reconstitution obligation with respect to SDRs should be abrogated. The flexibility of the operational uses of SDRs and the broadening of the definition of other holders of SDRs should be further studied.

18. The Ministers considered the question of the Seventh General Review of Quotas and favored an increase of at least 50 percent.

19. For the Eighth General Review, the Ministers urged that the IMF should re-examine the criteria on which quota allocations are based with the aim of rationalizing them and making them relevant to the economic position of the developing countries.

20. The Ministers were of the view that the supplementary financing facility should be made operational as early as possible. Means should also be found to relieve the least developed and other most seriously affected countries of part of the cost of borrowing from this facility.

21. The Ministers considered that the strict conditionality attached to drawings in the upper credit tranches and in the Extended Fund Facility should be modified, bearing in mind that at present very limited use was being made of these facilities by the developing countries.

22. The Ministers expressed their continued support for the Development Committee, underlined the importance of the role it should play as a high- level political forum for actions designed to increase the transfer of real resources to the developing countries, and strongly urged its continued existence to fulfill the objectives for which it was established.

The Ministers appreciated the cooperation they have received in their work from Mr. E. Johannes Witteveen, the Managing Director of the Interna-tional Monetary Fund, and expressed good wishes for his future after he retires from the Fund.

The Ministers were greatly appreciative of the hospitality received by them from the people and Government of México and the excellent arrangements made for the meeting.