

INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

SEVENTH MEETING OF MINISTERS

COMMUNIQUÉ

Washington, D.C.
June 9-10, 1974

1. The Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs held their seventh meeting at the headquarters of the International Monetary Fund in Washington D.C. on June 9 and 10, 1974, under the chairmanship of Mr. Smail Mahroug, Minister of Finance of Algeria, with Mr. N. M. Perera, Finance Minister of Sri Lanka and Mr. Manuel Moreyra, representing the Finance Minister of Peru, as Vice-Chairmen. The meeting of the Ministers was attended by Mr. H. J. Witteveen, Managing Director of the International Monetary Fund, Mr. Ali Wardhanap Chairman of the Committee of Twenty, and Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development.

2. The meeting of the Ministers was preceded by a meeting of their Deputies chaired by Mr. Rachid Bouraoui of Algeria, with Mr. Lai Jayawardena, Sri Lanka, as Vice-Chairman and Mr. Allan Wagner, Peru, as Rapporteurs

3. The Chairman of the Deputies presented to the Ministers a report on their discussions of the Draft Outline of Reform and submitted proposals for consideration by the Ministers.

4. The Ministers take note that Part I of the Outline represents a broad conception, Consequently, while they do not consider that it represents an adequately balanced approach that takes account of the interests of the developing countries they refrain from elaborating upon these reservations at this time. They reaffirm their understanding that no decision will be taken to implement any element of Part I without the explicit endorsement of the entire membership of the Fund and expect that the concerns of all countries will be accorded due consideration in giving final shape to the international monetary reform.

5. On the basis of their discussions the Ministers affirm their position that the immediate reform package should reflect in a balanced manner, items of reform which are of interest to both the developed and the developing countries. Such a package of immediate steps should include the following:

I) The Link and International Liquidity

6. The Ministers observe that the question of establishing a link between development finance and SDR allocation in the context of reform has been thoroughly examined and the technical feasibility fully established. The principle of the link has been accepted by a large majority of the membership of the Committee of Twenty. The Ministers wish to emphasize that the political acceptance of the link is overdue and a final decision to establish it should be taken without

further delay and its provisions included in the draft composite resolution to be considered by the Committee of Twenty.

7. The Ministers are emphatic in their view that any solution to the problem of gold should not jeopardize the effective implementation of the link; 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.

II) Extended Fund Facility

8. The Ministers urge that the Fund take urgent steps to establish the extended Fund facility before the end of July, 1974. They stress that this facility should in no way be considered as a substitute for the link.

III) Quotas and Voting Power

9. Present quotas and voting power in the Fund do not reflect adequately the needs or the importance of the developing countries in the world economy in terms of population capacity for development, and supply of raw materials. Nor do the quotas adequately reflect either the ability of developing countries to contribute, or their need for access to balance-of-payments finance. In line with principles of efficiency equity and democracy all developing countries should have a substantially higher share of both quotas and voting power in the Fund than they presently command.

IV) Joint IMF-IBRD Ministerial Committee and Interim IMF Committee

10. The Ministers support the establishment of a joint ministerial committee of the Fund and World Bank and are agreed on the main features that such a Committee should take. They consider that this Joint Committee on the Transfer of Real Resources should come into existence as soon as possible and no case later than the next Joint Annual Meeting of the Boards of Governors, and should be charged with the preparation in its first year of operation of concrete proposals for action.

11. The Ministers support the establishment of an Interim Committee of the Board of Governors of the IMF. They attach importance to adequate representation of developing countries in it, which would be ensured by according each multi-country constituency one member, seven associates and the Executive Director. The terms of reference of the Committee should explicitly provide that its purview include the review and supervision of the adequacy of the net transfer of real resources to the developing countries as a separate item.

12. The Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs consider that the above points represent the minimum necessary for the improvement of the position of developing countries in the interim monetary arrangements. The Ministers are convinced that the solutions that they have proposed are indispensable to making the system more responsive to the interests of the developing countries, and will accelerate the reform and

introduce stability into the new system. For these reasons, the Ministers would be unable to endorse an outcome that would not respect the attainment of the above solutions. Hence, they are resolute in their view that these solutions - none of which are substitutes for each other - provide the bare essentials for an acceptable package of measures for immediate implementation.

13. The Ministers also attach particular importance to the following points:

(a) Guidelines for Floating

The Ministers welcome and support the understanding that all guidelines will be applicable only to currencies that float independently and not to currencies that are pegged either to another currency or to a composite of currencies even when, as in some cases, the rate is changed at frequent intervals on the basis of the formulae.

(b) The Rate of Interest of the SDR and of Charges on Fund drawings

If necessary an amendment to the Articles of Agreement should be adopted to ensure that any rise in the rate of charges on Fund drawings and in the rate of interest of the SDRs place no additional burden on developing countries.

(c) The Transfer of Real Resources

The developed countries should, as a matter of urgency, take concrete steps to increase the net flow of real resources to developing countries particularly to those in greatest need.

(d) Controls

The developing countries should be exempt from controls on trade or capital movements imposed by developed countries.

(e) Rules Governing the Use of SDRs

The rules governing the use of SDRs should be revised as envisaged in the outline, including items such as reconstitution and the requirement of need.

14. The Ministers decided to hold their next meeting in Washington on the occasion of the 1974 Joint Annual Meetings of the Board of Governors of the IBRD and the IMF.