

PRIME MINISTER

c. Mr. Coles

The Chancellor was keen to let you have a progress report from the G5 meeting.

They are doing quite well with the IMF quotas, etc, decisions. There are, apparently, signs of a deal with the United States. On Mexico, the Americans gave a very positive message on Madrid's performance. They believe that he is really getting a grip. On Brazil the Americans are saying that there could be a default this week. There needs to be a repetition of the arrangements which were made for Mexico. It is thought that \$½ billion is required to get them through this week and that \$2 billion will be needed to keep them going until the end of the year. There is talk of a package with an element from the Fed and an element from the BIS. We would be asked to guarantee a tranche.

I could not get any figures out of them but the Chancellor was anxious that you should have a report, exiguous though it be, before - perhaps - you read it in tomorrow's newspapers.

Mes

MS

9 December 1982

cc. Sir K. Curzons O.P.

Mr Litterer

Mr Lavelle

Mr Anson (for Mr Lavelle)

Mr Bodin

Mr Atkinson

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REVISED VERSION

Summary record of Discussion on IMF Matters

at the Meeting of Finance Ministers and Governours

December 9, 1982

Ministers and Governours discussed the package on increased IMF resources on the basis of their Deputies' paper of November 11, 1982. They reached the following results, keeping in mind that the precise shape of the package would have to be negotiated with other members of the G10 and of the IMF generally. It was understood that agreement on views on individual elements of the package were conditional on an overall agreement.

1. Size of Fund

There was agreement that IMF quotas should be increased to an amount between 85 and 100 billion SDR's.

2. Special borrowing arrangement

There was agreement that a special borrowing arrangement should be made available to the Fund, which would be built on the present GAB. The size of the arrangement

would be between 15 and 20 billion SDR's, depending i.a. on participation and on the size of the quota increase. Participation would be limited to the present participants of the GAB, but parallel arrangements should be concluded by the Fund with a small number of other countries. Minister Delors will sound out the Saudi Arabian view at his forthcoming visit to Riyadh. The shares of individual participants will have to be discussed further within the G10. It was felt that they should broadly reflect the relative size of participants.

The arrangement would provide additional resources to the Fund when needed to maintain the stability of the international financial system (precise language to be determined within the G10). The procedure for activation would be similar to that in the present GAB: Participants would decide on activation on the basis of a proposal by the Fund's Managing Director, who would have to represent that the conditions for activation were met; the Executive Directors of the Fund would decide on individual country drawings.

It was recognized that activations in favour of non-participants should pay due regard to the possible needs of participants.

The continued need for the new borrowing arrangement will be reviewed at the end of the Eighth Quota Period.

3. Distribution of Quota Shares

In accordance with the agreement in the Fund that quotas of members should be brought more in line with their relative positions in the world economy, it was emphasized that the gap between present and calculated quotas should be narrowed. There was some support for the Fund's method 3. Others thought some equiproportional element would be necessary. The need was recognized to agree on the quota distribution at the next meeting of the Interim Committee; participants will urge their Executive Directors to conclude their discussions on this matter in good time for that meeting.

4. Access to IMF resources

There was agreement that ceilings on normal access should continue at their present levels of 100/140/165 per cent and that the enlarged access should be continued beyond its present termination date.

Views differed on the future limits for the enlarged access. Some participants felt that the cash value of

such access should be maintained at its present absolute level. Others thought that access should be increased in absolute terms. Yet another view was that access limits should take account of the need to maintain a balance between commitments and resources in the Fund. Further discussions in the G10 and in the Fund's Executive Board were, therefore, considered necessary.

5. Compensatory Financing

There was agreement with the proposal to reduce access to this facility as a percentage of quotas and to require for all such drawings that the member must be found to cooperate with the Fund to solve its balance-of-payments problems. ~~The combined 125 per cent limit relating to cereal import costs would not be affected.~~

6./ Remuneration and Charges

7.

Participants endorsed in principle the positions taken at Deputies' level. Further discussions would be left to the Fund's ^{cu}Executive Directors.

8. Subscription payments for Quotas

Participants endorsed in principle their Deputies' agreement to aim at payment of the 25 per cent part of sub-

scriptions in SDR's or usable currencies. One participant felt that this might raise the question of an SDR allocation. Further discussions would be left to the Fund's Executive Directors.

9. Timetable

It was felt desirable to aim at an early meeting of the Interim Committee, provided there was a reasonable prospect for the success of such an early meeting.

The decision on advancing the meeting of the Interim Committee would be taken not later than January 10, 1983, taking account of the progress by the G10 Deputies and of the reactions to G10 discussions in the Fund's Executive Board.

The following dates were tentatively reserved:

January 18 for G10 Ministers;

February 9 and 10 for the Interim Committee.

These dates are not to be announced at this time in order to avoid creating undue expectations.



Econ
Pol.

10 DOWNING STREET

(2)

Prime Minister

MS.

G5 Meeting

The Chancellor says it was a
"very good" meeting. He will be
letting you have a report next week.

I thought, meanwhile, that you'd
like some immediate news. I have
therefore prepared the attached from
the Treasury.

I have no further news on Mexico
and Brazil, except that Ken Louzens
is attending a G10 meeting in Paris

PTO

This weekend designed to carry
forward the G5 discussion; and
that you will be given a report
on this, too, next week.

MLS 10/12