

CONFIDENTIAL

FM UKDEL IMF/IBRD WASHINGTON

TO PRIORITY FCO

TELNO 279

OF 241430Z JULY 90

AND TO PRIORITY HM TREASURY, BANK OF ENGLAND
INFO PRIORITY MOSCOW, UKREP BRUSSELS

HM TREASURY FOR PICKERING AND LAZAR, BANK OF ENGLAND FOR WARE,
FCO FOR BONE (ERD)

IMF: STUDY OF THE USSR ECONOMY

1. IN A RESTRICTED SESSION, THE MANAGING DIRECTOR REPORTED
ON HIS MEETING IN NEW YORK ON SATURDAY WITH THE IBRD, OECD AND
EBRD. A REPRESENTATIVE FROM THE EC HAD ALSO BEEN PRESENT.

DIVISION OF RESPONSIBILITIES

2. ONE IMPORTANT ISSUE HAD BEEN THE DIVISION OF
RESPONSIBILITIES. CAMDESSUS REFERRED AGAIN TO THE IMPORTANCE
OF MAKING EFFECTIVE USE OF COMPARATIVE ADVANTAGES GIVEN THE
SHORT TIME AVAILABLE TO COMPLETE THE STUDY. DECISIONS HAD BEEN
TAKEN ON THIS THOUGH CAMDESSUS DID NOT ELABORATE (AND THERE WAS
NO REAL OPPORTUNITY TO QUESTION HIM). AS MIGHT BE EXPECTED,
HOWEVER, THE IMF WILL COVER MACROECONOMIC POLICY, TAX REFORM
AND CENTRAL BANKING. WHITTOME (WHO HAS APPARENTLY BEEN
PERSUADED TO POSTPONE HIS RETIREMENT) IS TO BE THE FUND'S
SENIOR CO-ORDINATOR. CAMDESSUS SAID HE HAD BEEN KEEN TO ENSURE
THAT FUND CONVENTIONS CONCERNING "DISCIPLINE AND METHODOLOGY"
WOULD BE OBSERVED. HE WAS FAIRLY CONFIDENT OF THE CO-OPERATION
OF THE SOVIET AUTHORITIES (THOUGH SEE PARA. 6 BELOW).

TIMING

3. THE STUDY IS TO TAKE PLACE IN TWO STAGES. MISSIONS
WILL BE SENT TO MOSCOW QUICKLY TO GATHER BASIC DATA AND
INFORMATION. A PROGRESS REPORT WILL BE MADE BY THE TIME OF THE
ANNUAL MEETINGS (CAMDESSUS WAS NOT SPECIFIC ABOUT WHAT FORM
THIS WOULD TAKE, THOUGH HE PROMISED REGULAR REPORTS TO THE
BOARD). AFTER THE ANNUAL MEETINGS THE STUDY WOULD FOCUS ON
STRATEGIC ISSUES AND PROSPECTS FOR REFORM.

RELATION TO EC STUDY

4. CAMDESSUS REFERRED SEVERAL TIMES TO THE EC STUDY BEING CARRIED OUT FOLLOWING THE DUBLIN REMIT. HE SAID THE FUND AND ITS PARTNERS WOULD CONSULT THE EC AS APPROPRIATE. HE ANTICIPATED NO DIFFICULTY ABOUT SHARING INFORMATION AND DISCUSSING CONCLUSIONS THOUGH THE EC WOULD BE CONCLUDING THEIR STUDY WHEN THE FUND AND PARTNERS WERE JUST EMBARKING ON THE SECOND STAGE.

SOVIET ATTITUDES

5. CAMDESSUS REPORTED (IN CONFIDENCE) HIS UNDERSTANDING OF SOME OF THE IMPRESSIONS FORMED BY DELORS DURING HIS VISIT TO MOSCOW. (THESE ECHO THOSE REPORTED IN MOSCOW TELNOS 1338 AND 1339). DELORS HAD BEEN IMPRESSED BY GORBACHEV'S COMMITMENT TO REFORM AND THOUGHT THAT THE SOVIET AUTHORITIES' VIEWS ON NECESSARY MEASURES WERE BETTER FOCUSSED THAN IN THE PAST. IN PARTICULAR THEY WERE CONVINCED THAT ECONOMIC AND CONSTITUTIONAL REFORM HAD TO GO HAND IN HAND. DELORS HAD APPARENTLY STRESSED THE IMPORTANCE OF A UNIFIED MONETARY POLICY IN THE USSR. (IN REPORTING THIS, CAMDESSUS HIMSELF MADE SOME RATHER GLOOMY REMARKS ABOUT THE FORMIDABLE PROBLEMS OF ACHIEVING PRICE REFORM AND A COHERENT MONETARY POLICY.)

6. THE SOVIET AUTHORITIES WERE APPARENTLY PREPARED TO CO-OPERATE WITH BOTH STUDIES BUT WERE DISTINCTLY UNENTHUSIASTIC ABOUT THE FUND'S INVOLVEMENT. GORBACHEV HAD DECLARED HIMSELF UNWILLING TO HAVE CONDITIONS DICTATED BY THE IMF. CAMDESSUS ACKNOWLEDGED THAT A SELLING JOB WOULD BE NECESSARY IF THE SOVIET PERCEPTION OF THE FUND AND ITS ROLE WERE NOT TO BE A MAJOR DIFFICULTY.

PRESS BLACKOUT

7. FINALLY, IT HAD BEEN AGREED AT SATURDAY'S MEETING THAT NO INFORMATION WOULD BE GIVEN TO THE PRESS ABOUT THE STUDY WHILE IT WAS IN PROGRESS. THE RESPONSE TO ALL ENQUIRIES WOULD BE A FIRM NO COMMENT.

PERETZ

YYYY

DISTRIBUTION

132

MAIN

132

PAGE 2

CONFIDENTIAL

MONETARY
SOVIET DEPT
EED

NNNN