# APPENDIX "A"

## INTERNATIONAL MONETARY FUND

Press Release No. 964

For Immediate Release
March 27, 1973

**Communiqué of the Committee of the Board of Governors on International Monetary Reform and Related Issues**

1. The Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues (the Committee of Twenty) held their second meeting in Washington on March 26 and 27, 1973, under the chairmanship of Mr. Ali Wardhana, Minister of Finance for Indonesia. By the courtesy of the Organisation of American States the meeting was held in the Pan American Union Building. Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, took part in the meeting which was also attended by Mr. Wilhelm Haferkamp, Vice-President of the E.E.C., Mr. René Larre, General Manager of the B.I.S., Mr. Emile van Lennep, Secretary-General of the O.E.C.D., Mr. Olivier Long, Director-General of the G.A.T.T., Mr. Manuel Pérez-Guerrero, Secretary-General of the U.N.C.T.A.D., and Sir Denis Rickett, Vice-President of the I.B.R.D.

2. The committee received a report in which the chairman of their Deputies, Mr. Jeremy Morse, summarised the deputies' discussions to date on the adjustment process and exchange rate mechanism, reserve assets and convertibility, and capital flows.

3. The members of the committee reaffirmed the need for a world monetary order, based on cooperation and consultation within the framework of a strengthened International Monetary Fund, that will encourage growth of world trade and employment as well as economic development and will support the domestic efforts of monetary authorities throughout the world to counteract inflation.

4. The members of the committee exchanged views on the substance of international monetary reform in the light of recent developments in exchange markets and of countries' policy reactions to these developments, and instructed their deputies to take account of these events and their implications in their continuing work. The members of the committee recognised that the various elements of reform are inter-linked. Their discussion of a reformed system centered on the following points:

(a) There should be a better working of the adjustment process, in which adequate methods to assure timely and effective balance of payments adjustment by both surplus and deficit countries would be assisted by improved international consultation in the fund including the use of objective indicators. It was noted that the deputies are establishing a technical group on indicators. The importance of effective domestic policies for balance of payments adjustment was underlined. Members of the committee recognised that exchange rates must be a matter for international concern and consultation and that in the reformed system the exchange rate regime should remain based on stable but adjustable par values. It was also recognised that floating rates could provide a useful technique in particular situations. There was also general agreement on the need for exchange market stability and on the importance of fund surveillance of exchange rate policies.

(b) There should be better international management of global liquidity. The role of reserve currencies should be reduced and the S.D.R. should become the principal reserve asset of the reformed system. The deputies were asked to study further the conditions for a resumption of general convertibility, including questions relating to consolidation of excess reserve currency balances and to methods of settlement.

(c) An intensive study should be made of effective means to deal with the problem of disequilibrating capital flows by a variety of measures, including controls, to influence them and by arrangements to finance and offset them. It was noted that the deputies are establishing a technical group on disequilibrating capital flows, including those associated with Euro-currency markets.

(d) There should be a strong presumption against the use of trade controls for balance of payments purposes. Developing countries would, however, be exempt wherever possible from trade and capital controls imposed by other countries and their particular circumstances would be taken into account in assessing controls that they themselves felt it necessary to apply.