

MASTER FILES
ROOM C-130

0404

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 87/164

3:00 p.m., December 2, 1987

R. D. Erb, Acting Chairman

Executive Directors

C. H. Dallara

M. Finaish

G. Grosche

J. E. Ismael

T. P. Lankester

Mwakani Samba

G. Ortiz

J. Ovi

G. A. Posthumus

C. R. Rye

A. K. Sengupta

S. Zecchini

Alternate Executive Directors

A. G. A. Faria, Temporary

Song G., Temporary

D. C. Templeman, Temporary

L. Hubloue, Temporary

E. V. Feldman

J. Hospedales

D. McCormack

I. A. Al-Assaf

M. Fogelholm

G. Pineau, Temporary

G. P. J. Hogeweg

O. Kabbaj

N. Adachi, Temporary

L. Van Houtven, Secretary and Counsellor

L. Collier, Assistant

1. Argentina - Amendment of Stand-By Arrangement, and
Exchange System Page 3

Also Present

IBRD: P. Bottelier, Director, Latin America and the Caribbean Regional Office. Exchange and Trade Relations Department: S. J. Anjaria, C. Atkinson, E. Brau. External Relations Department: G. P. Newman. Fiscal Affairs Department: E. S. Kreis. Legal Department: F. P. Gianviti, General Counsel; A. O. Liuksila. Secretary's Department: M. J. Miller. Treasurer's Department: D. Gupta. Western Hemisphere Department: M. Caiola, Deputy Director; J. Ferrán, Deputy Director; C. V. A. Collyns, D. N. Lachman, P. Neuhaus. Personal Assistant to the Managing Director: H. G. O. Simpson. Advisors to Executive Directors: M. B. Chatah, G. D. Hodgson, K.-H. Kleine, J.-C. Obame, A. Ouanes, P. D. Péroz, I. Sliper, A. Vasudevan. Assistants to Executive Directors: J. R. N. Almeida, E. C. Demaestri, F. Di Mauro, W. N. Engert, S. K. Fayyad, M. Hepp, G. K. Hodges, A. Iljas, M. A. Kyhlberg, V. K. Malhotra, C. Noriega, G. Schurr, R. Wenzel, D. A. Woodward.

1. ARGENTINA - AMENDMENT OF STAND-BY ARRANGEMENT, AND EXCHANGE SYSTEM

The Executive Directors continued from the previous meeting (EBM/87/163, 12/2/87) their consideration of a restricted staff paper on an amendment of the stand-by arrangement for Argentina approved on July 23, 1987 (EBS/87/234, 11/16/87).

The Executive Board took the following decisions:

Argentina - Amendment of Stand-By Arrangement

1. Argentina has consulted with the Fund in accordance with paragraph 4 of the stand-by arrangement for Argentina (EBS/87/5, Supplement 3, as approved at EBM/87/107 (7/23/87)), and paragraph 4 of the letter of January 12, 1987, from the Minister of Economy and the President of the Central Bank of Argentina, in order to reach understandings regarding further measures to achieve the objectives of its program and the circumstances in which purchases may be resumed under the stand-by arrangement.

2. The letter, with attached Memorandum on Economic Policy and Tables, dated November 12, 1987, from the Minister of Economy and the President of the Central Bank of Argentina, shall be annexed to the stand-by arrangement for Argentina, and the letter and attached Memorandum on Economic Policy and Tables of January 12, 1987, and the letter and Tables of July 8, 1987, shall be read as modified and supplemented by the letter and attached Memorandum on Economic Policy and Tables of November 12, 1987.

3. Paragraph 4 of the stand-by arrangement shall be amended to read as follows:

"4. Argentina will not make purchases under this arrangement that would increase the Fund's holdings of Argentina's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota:

(a) during any period in which the data at the end of the preceding two-month period indicate that:

(i) the limit on the combined deficit of the nonfinancial public sector and the Central Bank described in paragraph 4 and Table 2 of the Memorandum on Economic Policy attached to the letter of November 12, 1987; or

- (ii) the limit on the cash deficit of the non-financial public sector described in paragraph 4 and Table 2 of the Memorandum on Economic Policy attached to the letter of November 12, 1987; or
 - (iii) the limit on Treasury outlays described in paragraph 4 and Table 2 of the Memorandum on Economic Policy attached to the letter of November 12, 1987; or
 - (iv) the ceiling on the net domestic assets of the Central Bank, described in paragraph 10 and Table 3 of the Memorandum on Economic Policy attached to the letter of November 12, 1987; or
 - (v) the targets for changes in net international reserves described in paragraph 14 and Table 4 of the Memorandum on Economic Policy attached to the letter of November 12, 1987;
- have not been met; or
- (b) during any period after March 31, 1988, in which:
 - (i) the intentions regarding the elimination of external payments arrears as described in paragraph 14 of the Memorandum on Economic Policy attached to the letter of November 12, 1987 have not been observed; or
 - (ii) the Central Bank is not providing foreign exchange automatically at the official exchange rate for the transfer of profits and dividends, as described in paragraph 20 of the letter of July 8, 1987; or
 - (c) if Argentina incurs any new payments arrears; or
 - (d) if Argentina fails to observe the limits on the total outstanding disbursed external debt of the public sector and the cumulative net short-term disbursements of external debt of the public sector, as described in paragraph 23 and Table 5 of the letter of July 8, 1987; or
 - (e) during any period after December 19, 1987, until the review referred to in the attached letter of November 12, 1987 has been completed, and understandings on performance criteria for the remaining period

of the stand-by arrangement have been reached, or if performance criteria established in that review are not being observed; or

(f) if Argentina

- (i) imposes or intensifies restrictions on payments and transfers for current international transactions; or
- (ii) introduces or modifies multiple currency practices, excluding changes in the rebate rates under the system of tax rebates for exporters that do not increase the weighted average export rebate; or
- (iii) concludes bilateral payments agreements which are inconsistent with Article VIII; or
- (iv) imposes or intensifies import restrictions for balance of payments reasons.

When Argentina is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Argentina and understandings have been reached regarding the circumstances in which such purchases can be resumed."

4. The Fund decides that, in view of the circumstances of Argentina, no other understandings are necessary and, until December 15, 1987, Argentina may resume purchases under the stand-by arrangement notwithstanding the performance criteria in paragraph 4(a), (b), and (c) of the stand-by arrangement as amended.

Decision No. 8739-(87/164), adopted
December 2, 1987

Argentina - Exchange System

Argentina maintains exchange restrictions and multiple currency practices as described in Appendix III to EBS/87/234. The Fund welcomes the intention of Argentina to eliminate the restrictions evidenced by external payments arrears and the multiple currency practice relating to profits and dividends, and encourages Argentina to simplify further its exchange system and to eliminate the remaining exchange restrictions and multiple currency practices as soon as possible. In the meantime, the Fund approves exchange restrictions and multiple currency practices of Argentina as described in parts 1 and 2(a), (b), (c), and (f), of Appendix III to EBS/87/234, until March 31, 1988.

Decision No. 8740-(87/164), adopted
December 2, 1987

APPROVED: July 18, 1988

LEO VAN HOUTVEN
Secretary