



Prime Minister

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To note.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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12/6

PRIME MINISTER

MS
Mr Sanders
(para 2)
v. p. 4.

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INTERNATIONAL MONETARY FUND

You will wish to know that a team from the IMF will be holding the annual consultation with the UK from 20th to 29th June, 1979.

2. The annual consultation is a regular event for all member countries of the IMF. The IMF's Articles of Agreement (which have the force of an international treaty) empower the Fund to oversee compliance of members with their obligations under the Articles to foster orderly economic growth with reasonable price stability, and to follow orderly and internationally co-operative exchange rate policies. In practice this involves an annual review by the Fund of each member's overall economic policies, leading to a report to the Executive Board and a Board discussion.

3. There is a delicate balance between agreed "surveillance" and interference. Reports may contain references, usually very carefully expressed, to aspects of policy which have caused concern to the Fund staff. But the Board discussion leads, in effect, only to a decision to "take note" of the Fund team's report.

4. This is quite separate from the consultation following a member's request for a standby agreement with the Fund to draw on the credit tranches. Performance criteria and other conditions for the standby have then to be agreed. There is

/no question



no question of this on this occasion (the UK's two-year standby with the Fund expired at the end of 1978).

5. The consultation will give us a chance to explain the Budget and our underlying economic strategy, and I would expect the Fund team's report to be largely devoted to a description of these. They can also be expected to comment on the prospects for inflation (probably also on pay), and they will be interested in the exchange rate.

6. The fact of the visit will be publicly known, but the discussions themselves, the Fund team's report, and the Fund Board's discussion are all confidential. I would not expect this more routine visit to generate the same Press interest as visits in previous years, when our predecessors' standby agreement was in operation.

7. I shall be seeing some of the Fund team myself. I cannot imagine that there would be any need for you to do so. Nor do I at this stage foresee any points arising on which I shall need to consult colleagues collectively. You may, however, get one or two Questions in the House about the visit, and I will ensure you are briefed to deal with these.

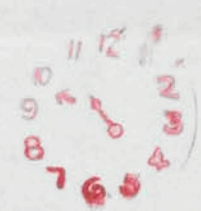
8. I am copying this minute to Cabinet colleagues and to Sir John Hunt.

(G.H.)
7 June, 1979

12

CONFIDENTIAL

11 JUN 1979



Economic Policy file JKS



10 DOWNING STREET

From the Private Secretary

18 June 1979

Dear Tony,

INTERNATIONAL MONETARY FUND

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 7 June, and has noted the arrangements which are being made for the annual IMF consultation from 20 to 29 June.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, and to Martin Vile (Cabinet Office).

In m.

T. Fisher

A.M.W. Battishill, Esq.,
HM Treasury.

L. G.