INTERNATIONAL MONETARY FUND

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STATEMENT CONCERNING EXCHANGE ACTIONS TAKEN BY FRANCE

Camille Gutt, Chairman of the Executive Board of the International Monetary Fund, today made the following statement:

"The French Government has engaged in full and frank consultations with the International Monetary Fund regarding a plan for exchange adjustment, which would require the approval of the Fund. The essential features of the plan were the following:

"The par value of the French franc would be reduced by 44.444 percent, which would result in a change in the rate from approximately 119 francs per U.S. dollar to approximately 214.

"At the same time, a discriminatory multiple currency practice would be introduced whereby U.S. dollars and certain other currencies which can be readily sold for dollars would be bought and sold in a market inside France at fluctuating rates which would differ considerably from the new par value.

"French exporters would be permitted to sell in this market one-half of their export proceeds in the designated currencies, the other half being sold to the French monetary authorities at the official par value. French importers would be permitted to buy in this market the designated currencies needed to pay for non-basic commodities. In addition various "invisible" transactions would be authorized to take place in this market, including exchange transactions of tourists, capital transfers and other non-commercial remittances.

"The Fund agreed with the French Government that a change in the par value of the franc was necessary, and indicated that it was prepared to concur in a devaluation of the franc to a realistic rate which would be applicable to transactions in the currencies of all members of the Fund. In this connection, the Fund has noted with satisfaction the budgetary and fiscal measures directed at internal monetary stabilization which France has taken in recent months.

"The Fund gave careful consideration to the proposal to establish a market in convertible currencies along the lines indicated above. The Fund had no desire to be rigid or doctrinaire in its approach to this matter, particularly in view of the abnormalities of the present situation. Despite serious reservations regarding a system involving fluctuating rates, the Fund explored various alternatives designed to meet in so far as possible the

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objectives of the French authorities. The Fund was not, however, able to agree to the inclusion in a market with fluctuating rates of any part of the proceeds of exports, as in its judgment this entailed the risk of serious adverse effects on other members of the Fund, without being necessary to achieve the trade objectives sought by the French authorities.

"The Fund felt that there would be scope for competitive depreciation in the application by one country of a fluctuating rate on exports to one area while other rates remain stable and other countries maintain the parities agreed with the Fund. Such a system, operating in an important trading country, would encourage trade distortions and might cast unwarranted doubt on the real strength of many currencies through the apparent discount applied to them in the French system.

"The Fund feared that the widespread adoption of such a system would result in exchange uncertainty and instability and produce a disorderly exchange situation from which all members of the Fund would suffer. While recognizing the difficulties of the French position, the Fund felt that the solution must be found through cooperative efforts to place currencies on a sound and stable basis.

"The French Government found that it could not accept the modification of its proposal suggested by the Fund and has now informed the Fund that it has decided to go forward with its proposal notwithstanding the objections of the Fund. The Fund regrets this action by a country which collaborated so effectively in the Fund's establishment and whose cooperation has been a valuable asset.

"The Fund will continue to work with France in seeking a modification of these exchange practices in order to meet French needs within the framework of the international monetary arrangements established by the Fund Agreement."