

'EEC Monetary Fund will come into force tomorrow' from the Corriere della Sera (5 April 1973)

Caption: On 5 April 1973, the day before the entry into force of the European monetary Cooperation Fund (EMCF), the Italian daily newspaper Corriere della Sera describes in some detail the tasks of the EMCF and broaches the subject of where it will have its seat.

Source: Corriere della Sera. dir. de publ. Ottone, Piero. 05.04.1973, n° 80; anno 98. Milano: Corriere della Sera. "Domani in funzione il fondo monetario del Mec", auteur:Guatelli, Arturo , p. 1.

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A small step towards integration

EEC Monetary Fund will come into force tomorrow

Although a member, because the lira floats freely Italy will derive no benefit at all

From our special correspondent

Brussels, 4 April

A small, cautious step towards European monetary integration has just been achieved in Luxembourg. The EEC Council of Foreign Ministers (Italy was represented by the Under-Secretary of State for Foreign Affairs, Mario Pedini) has launched the Monetary Cooperation Fund in accordance with the plan drawn up during the Summit of Heads of State or Government held in Paris last October.

The Fund — administered by the Committee of the Governors of the Central Banks and due to come into force on Friday 6 April — will keep a record of the debts and credits resulting from exchange market interventions made by the various EEC countries, in order to maintain the value of the different currencies within the band of plus or minus 2.25 % laid down as the limits for their joint fluctuation against the dollar.

It is common knowledge that Italy, Great Britain and Ireland do not fully adhere to this plan of action, preferring to retain a certain freedom of action — at least for the moment — and allowing the lira and the pound sterling to float freely against both the dollar and the strong European currencies. As a consequence, however, Italy is now a passive member of the Monetary Cooperation Fund. While contributing 150 000 million lire to its endowment, it will derive no benefit at all from it. The Fund's activities, mainly because of the division emerging among the Community partners, will not be particularly expensive at first, especially since its staff will consist of only four officials. For the time being, they will be based in Luxembourg, as the decision on the permanent seat has been postponed due to sharp disagreements among the nine EEC Member States on this issue.

The protagonists in this battle are Luxembourg, Great Britain, France and Germany, who have each applied to host the Fund. Luxembourg is trying to avail itself of a decision taken by the EEC Council of Ministers in 1965 under which the Community countries undertook to transfer all financial institutions to Luxembourg on the sole condition that their smooth functioning would be guaranteed.

Opposing this proposal, the British Government has claimed that Luxembourg's air connections are inadequate, as is its telephone infrastructure. But underlying these logistic considerations seems to be a promise made by Edward Heath to the City to establish the seat of the Fund in London in order to preserve its primacy as Europe's financial capital.

The French and Germans, on the other hand, have launched a frontal attack on Luxembourg's fiscal regime, claiming that it offers an easy life to multinational corporations (many of which, in fact, have headquarters in the Grand Duchy) that are, rightly or wrongly, accused of manipulating the total amount of euro-dollars in their possession to feed monetary speculation.

In reality, France wants to turn Paris into a centre of operations for large international finance corporations, while Germany is trying to bring the Fund's seat to Bonn or Frankfurt in order to exert closer and more direct control over the flight of German capital.

Considering the complexity of the problems that lie behind such a decision, Luxembourg might well become the 'perpetual' temporary seat of the European Monetary Cooperation Fund. Some witty observers will, in this respect, remember that the EEC's Executive Commission, occupying several dozen hectares in the centre of Brussels and providing work for hundreds of people, is only 'provisionally' based in the Belgian capital. That is how it was decided at the time.

Arturo Guatelli

