Speech by the President of the Council before the meeting of the Nine and the Group of Ten (Paris, 9 March 1973)

Caption: On 9 March 1973, at the meeting in Paris between the Finance Ministers of the Nine and the representatives of the Group of Ten, the President of the Council of Ministers of the European Economic Community (EEC) emphasises the need to take concerted action in order to reorganise the international monetary system.
Source: Europe. Documents. Dir. of publ. RICCARDI, Lodovico ; Editor GAZZO, Emanuele. 23.03.1973, n° 726. Brussels. "Speech by the President of the Community Council in Paris before the meeting of the Nine and the Group of Ten (9 March)", p. 2-3.

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Mr. Chairman,

I shall without further delay come to the main object of our meeting here today: to apply on an international scale concerted action in order to restore order to the exchange market.

In the opinion of the European Economic Community, the crisis we are undergoing is mainly due to factors of speculative; origin against which an effective defence mechanism must be organised.

This defence must above all aim to preserve an international order based on well-ordered relations between exchange rates. It should also permit the necessary reform of the international monetary system to be continued in a quiet and orderly manner. To this end, all the members of the International Monetary Fund, and in particular, all the countries gathered round this table, must contribute, each according to its means, to the success of this undertaking.

In order to achieve this objective, the Community proposes that it should reflect upon the measures that we could adopt in joint agreement. If agreement was reached upon the wish to co-operate towards stabilising the exchange markets and strengthening currencies undermined by speculation, we should then have to consider three principle factors.

The first concerns interventions on the exchange markets. In our view, the United States Government as well as the Governments of other countries sitting at this table, would have to intervene on current account or in futures as was appropriate in order to support the dollar. The financing of these interventions could be assured in the immediate future by the use of mutual credit agreements (swaps). Furthermore, it could also be envisaged that the increases in official dollar balances, in relation to a reference that would have to be defined, might be the object of an exchange guarantee.

The second factor concerns the measures that should be taken in order to exert a more effective control of internal and international liquidity.

On the question of internal liquidity, it is essential, by means of a concertation of all the authorities that are involved, to harmonise the interest rates policy. This harmonisation should, as matters now stand, and taking account of the inflation rate in the countries concerned, tend towards an increase of rates in the United States and their reduction in Europe. Moreover, both sides should follow an adequate policy for controlling internal liquidity.

As for international liquidity, the Central Banks of the members of the International Monetary Fund should commit themselves to stopping further direct or indirect investments on Euromarkets. It could even be indicated that these investments should be gradually reduced and that the official monetary institutions should agree no longer to diversify the composition of their exchange reserves.

Finally, various measures will probably be considered with a view to reducing surplus international liquidity. With this aim in mind, it could be expected that:

- medium term bonds would be issued on the Euro-dollar market by the United States Government;
- compulsory reserves would be imposed, on a world scale, of Eurocurrency deposits.

Finally, I shall now turn to what we propose should be the third factor on this "reflection programme", namely the control of movements of capital, which is widely practised amongst the countries gathered here today. In this respect, the following suggestions could be examined:

- the dismantling of the control regulations governing long term capital outflow from the United States could be delayed;

- the obligations to repatriate dividends and exceptional gains by foreign subsidiaries of American firms could be tightened;
- the transfer abroad of short term capital unrelated to current transactions could be made subject to prior authorisation;
- the repatriation of the export product could be demanded in a set period of time.

Finally, there would be occasion to consider the possibility of increasing the Interest Equalization Tax rates, and adopting measures, chiefly of a fiscal kind, that would tend to encourage capital inflow, and in particular, direct investments.

In this context, it would appear useful to me - and this concerns all countries - to pose the question whether it might not be opportune to oblige companies with an international activity, in the country of the headquarters of the parent company and in the countries where its subsidiaries are based, to declare the amounts and the composition of their treasuries, and not to modify either the one or the other to any large degree.

Well, Mr. Chairman, that is the result of our reflections in the Community, and we hope that our partners will give us their opinion.