

## 'Giscard d'Estaing to support Barre's monetary cooperation proposals' from Le Monde (18 July 1969)

**Caption:** On 18 July 1969, commenting on the meeting of the Finance Ministers of the Six in Brussels, the French daily newspaper Le Monde raises the issue of German opposition to the Barre Plan.

**Source:** Le Monde. dir. de publ. BEUVE-MÉRY, Hubert. 18.07.1969, n° 7 623; 26e année. Paris: Le Monde. "M. Giscard d'Estaing soutiendra les propositions de M. Barre sur la coopération monétaire", auteur:Fabra, Paul , p. 14.

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## Giscard d'Estaing to support Barre's monetary cooperation proposals

*France could sign the special drawing rights agreement in the next few months*

**The meeting of the Finance Ministers of the Six began in Brussels on Thursday morning with a presentation by Raymond Barre, Vice-President of the Commission. The Commission's monetary proposals were cautious, he said, but caution was necessary because over-ambitious arrangements confined to the monetary field might well be undermined by the weak state of the economy.**

The Ministers for Economic and Financial Affairs of the Six met on Thursday morning in Brussels for the first time since France's new government was formed and Valéry Giscard d'Estaing returned as Finance Minister. However, they will not be continuing the meeting in Versailles on Monday as originally planned, since Karl Schiller and Emilio Colombo are unable to attend. The most important item on the agenda for Wednesday, along with the Commission's report on the economic situation, is the memorandum which Raymond Barre submitted to the six governments on behalf of the Commission following the monetary crisis in November.

The French Finance Minister fully intends to support what has come to be known as the Barre Plan, which, in essence, superimposes an intra-Community procedure on the existing support mechanisms. Giscard d'Estaing will argue that the plan constitutes a whole and should therefore be approved en bloc. At this stage, that would mean referring it back to the Community experts for further clarification. Put plainly, it means that the French Minister is determined to oppose the supposed intention of the German Government, or at least of Karl Schiller, the Federal Minister for Economic Affairs, to split it into separate parts.

Mr Schiller is prepared to accept Mr Barre's proposals for strengthening short-term economic cooperation among the Six but apparently opposes granting short-term loans to Member States of the Community faced with sudden balance-of-payments difficulties. Both the Federal Government and the Bundesbank are unenthusiastic about Mr Barre's proposed mechanism and dislike the fact that aid would be granted automatically. In practice, this mechanism would probably add little or nothing to what already exists in the form of mutual (in fact, one-way) loan agreements between, for example, the Banque de France and the Bundesbank. The German argument is twofold: given that aid is limited in advance, it would probably be of no use at all in the event of serious crises like those of November and May, which confirmed that the real deterrent to speculation is the belief that central banks have access to virtually unlimited credit. On the other hand, the representatives of the Federal Government and the Bundesbank agree that there can be no question of Germany alone committing itself in advance to an unknown amount of support. So what is the point of agreeing in advance on a small amount of credit whose psychological and practical effect would probably be next to nothing?

It remains to be seen whether the German Government, known to be split on monetary issues, will maintain its opposition to the Barre Plan to the end.

The issue of special drawing rights is not on the agenda but is sure to be raised in conversations between the Ministers. Even before returning as Finance Minister, Mr Giscard d'Estaing came out unequivocally in favour of special drawing rights. But he will most certainly be concerned to smooth the transition and not give the impression that France has completely changed its policy. He will be helped in this by the attitude of the previous government. It will certainly be pointed out that François-Xavier Ortoli's speech at the most recent meeting of the International Monetary Fund's General Assembly in September 1968 was already much less categorical and that, since then, the French Government has not once alluded to the various problems involved in the establishment of special drawing rights.

France's position is a continuing paradox: in the Europe of the Six, she alone opposed special drawing rights (SDRs), but, in the present circumstances, she is probably the only country to have an interest in resorting to them.

Jacques Chaban-Delmas' Government has no more intention than the leaders of the Federal Republic or

Italy of going ahead with the rather vague project of creating a common reserve fund for the central banks of the Community. He believes that France can acquire a certificate of good European behaviour cheaply by signing the drawing rights system which Michel Debré rejected at the conference of the Finance Ministers of the Ten in Stockholm at the end of March 1968. France's real intention, once it has given its approval (which will probably not happen until after the next General Assembly of the International Monetary Fund), is to help its European partners, especially Germany and the Netherlands, to curb Washington's appetite. The Americans would like, from the outset, a commitment to establish at least \$5 billion of special drawing rights a year for the next five years, whereas the Germans, Belgians and Dutch want the amount reduced to \$2 or \$2.5 billion a year and the commitment to cover two years only.

To observe the principle of 'continuity' also in this area, at least formally, France intends to reiterate, for the record, the conditions set for establishing special drawing rights (return to balance-of-payments equilibrium of the main deficit countries, etc.) and even add others. Like the other European capitals, Paris does not want special drawing rights established until the United States abandons its policy of preventing South Africa from selling its gold to the central banks. In common with several of its European partners, France also considers that special drawing rights are not the only means available for creating new reserves through the International Monetary Fund. According to Paris, the 'conventional' conditional drawing rights provided for by the Bretton Woods Agreement should also be increased. At the present time, France has a quota of \$985 million with the IMF.

It is possible that France will ask for its quota to be raised to around \$1.5 billion, which would put France and Germany back on an equal footing in the IMF if Germany asked for its own quota to be raised from \$1.2 to 1.5 billion. The quota is the amount of each State's contribution to the Monetary Fund and is also used to calculate the maximum amount that each member is entitled to withdraw.

The way things are going, one wonders whether France will be able to pursue any policy of its own at all in this area. The real foreign currency losses that we have incurred since 24 April (eve of the referendum) must amount to something like \$1 billion. A small part was covered directly from our reserves: the Banque de France's foreign sight assets, as shown on its balance sheet, fell by \$128 million in the period from 24 April to 3 July alone. The greater part was funded by an increase in short-term foreign debt, which is only very partially reflected in the balance sheet (+ \$514 million over the period in question). This debt, which is shown in the balance sheet as \$1 121 million in absolute figures, must be at least \$1.5 billion ... i.e. at least 40 % of our official exchange reserves (approximately \$3.6 billion, almost all of which is in gold).

Paul Fabra