Communiqué from the 'Group of Ten' (Washington, 18 December 1971)

Caption: On 18 December 1971, the 'Group of Ten' publishes a communiqué detailing the main monetary measures approved by the Ministers and the Governors of the Central Banks of the ten countries participating in the General Agreements to Borrow, in Washington.

Source: Bulletin of the European Communities. Dir. of publ. Commission of the European Communities. January 1972, No 1. Luxembourg: Office for Official Publications of the European Communities. "Communiqué from the 'Group of Ten' (Washington, 18 December 1971)", p. 19-21.

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News conference of the Group of Ten (Washington, 18 December 1971)

As they had agreed to do in Rome, the Ministers of Finance of the Member States of the Group of Ten met again in Washington, the same persons being present as in Rome. Their discussions led to an agreement, the terms of which are embodied in the press release issued after the meeting.

"1. The Ministers and Central Bank Governors of the Ten countries participating in the General Arrangements to Borrow met in Washington on December 17-18, 1971, in executive session under the chairmanship of Mr J.B. Connally, Secretary of the Treasury of the United States. Mr P.P. Schweitzer, the Managing Director of the International Monetary Fund, took art in the meeting, which was also attended by the President of the Swiss National Bank, Mr E. Stopper, and in part by the Secretary General of the OECD, Jonkheer E. van Lennep, the General Manager of the Bank for International Settlements, Mr René Larre, and the Vice-President of the Commission of the EEC, Mr Raymond Barre.

The Ministers and Governors approved a report by the Managing Director of the Fund on a meeting held between the Deputies of the Group of Ten and the Executive Board of the Fund.

2. The Ministers and Governors agreed on an inter-related set of measures designed to restore stability to international monetary arrangements and to provide for expanding international trade; these measures will be communicated promptly to other governments. It is the hope of the Ministers and Governors that all governments will cooperate through the International Monetary Fund to permit implementation of these measures in an orderly fashion.

3. The Ministers and Governors reached agreement on a pattern of exchange rate relationships among their currencies. These decisions will be announced by individual governments, in the form of par values or "central" rates as they desire. Most of the countries plan to close their exchange markets on Monday. The Canadian Minister informed the Group that Canada intends temporarily to maintain a floating exchange rate and to permit fundamental market forces to establish this rate without intervention except as required to maintain orderly conditions.

4. It was also agreed that, pending agreement on longer-term monetary reforms, provision will be made for 2,25 percent margins of exchange rate fluctuations above and below the new exchange rates. The Ministers and Governors recognized that all members of the International Monetary Fund not attending the present discussions will need urgently to reach decisions, in consultation with the International Monetary Fund, with respect to their own exchange rates. Changes in parities can only be justified by an objective appraisal which establishes a position of disequilibrium.

5. Questions of trade arrangements were recognized by the Ministers and Governors as a relevant factor in assuring a new and lasting equilibrium in the international economy. Urgent negotiations are now under way between the United States and the Commission of the European Community, Japan and Canada to resolve pending short-term issues at the earliest possible date, and with the European Community to establish an appropriate agenda for considering more basic issues in a framework of mutual cooperation in the course of 1972 and beyond.

The United States agreed to propose to Congress a suitable means for devaluing the dollar in terms of gold to 38 dollars per ounce as soon as the related set of short-term measures is available for Congressional scrutiny. Upon passage of required legislative authority in this framework, the United States will propose the corresponding new par value of the dollar to the International Monetary Fund.

6. In consideration of the agreed immediate realignment of exchange rates, the U.S. agreed that it will immediately suppress the recently imposed 10 percent import surcharge and related provisions of the Job Development Credit.

7. The Ministers and Governors agreed that discussion should be promptly undertaken, particularly in the framework of the International Monetary Fund, to consider reform of the international monetary system over

the longer term. It was agreed that attention should be directed to the appropriate monetary means and division of responsibilities for defending stable exchange rates and for insuring a proper degree of convertibility of the system; to the proper role of gold, of reserve currencies and of special drawing rights in the operation of the system: to the appropriate volume of liquidity: to re-examination of the permissible margins of fluctuation around established exchange rates and other means of establishing a suitable degree of flexibility; and to other measures dealing with movements of liquid capital. It is recognized that decisions in each of these areas are closely linked."