

Interview with Valéry Giscard d'Estaing on ORTF (19 December 1971)

Caption: On 19 December 1971, on his return from the 'Group of Ten' summit, French Economy and Finance Minister, Valéry Giscard d'Estaing, during an interview with ORTF (French Radio and Television Office), gives his impressions of the outcomes of the Washington meeting.

Source: La politique étrangère de la France. Textes et documents. dir. de publ. Ministère des Affaires étrangères. 2e semestre 1971. Paris: La Documentation Française. "Interview de Valéry Giscard d'Estaing à l'O.R.T.F. (19 décembre 1971)", p. 305-306.

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Q. — Minister, you have said — as did most of the other Foreign Ministers on their return home — that this agreement is the best possible in the present circumstances. But in eight months the French people have got used to unusually favourable exchange rates. So aren't you concerned that a return to normal could lead to an economic slowdown in France?

A. — I find your question quite amusing. Had we come back with no solution, you would have spoken of 'failure', but since we have returned with a successful outcome you talk about a 'problem'. Of course there are problems.

It is not the case that the French people have become used to favourable exchange rates over the last eight months. For the most part, the real monetary crisis goes back to 15 August. Since then, it's true that we have had a favourable exchange rate situation. We have not taken advantage of it. I would say that we deliberately, quite simply, distanced ourselves from the fluctuations of other countries and, since their currencies floated sharply upwards, we found ourselves in a very favourable situation. But it was never our intention, I think, to prolong this favourable situation artificially if a worldwide agreement proved possible.

I think the real comparison to be made is with the situation prior to the monetary crisis: what was the state of French prices and the French currency in May? What will the state of French prices and the French currency be now?

All things considered, the exchange rate movements that have taken place, when we calculate their impact on our foreign trade, give France a slight advantage. We have calculated it at between 1.5 and 1.8 %. That isn't a huge advantage, but is nevertheless a slight advantage for our foreign trade compared to the situation in the very recent past. Clearly, we won't earn so much from our exports as we could when our main competitors' currencies were forced upwards.

Q. — So it's as though the franc had been devalued by 1.8 % compared with May? Is that more or less the case?

A. — Compared with the average for our partners.

Q. — Yes, that's right.

So, for the moment, we don't have a new monetary system because the dollar is still not convertible. So what would you call the situation we are now in?

A. — We are in a system that differs little from the previous system, except in the important respect that the exchange rates are now much more realistic. Also, we have set fluctuation margins, and the various countries have to keep within them.

For example, our German, Belgian and Dutch neighbours allowed their currencies to float. They didn't take steps to keep these fluctuations within certain limits. Now we have set exchange rates, we have established margins of fluctuation, so we have returned to a system of fixed exchange rates. It is true that, technically speaking, the system does not allow convertibility. Convertibility is not yet ensured, but you will see in our communiqué that we have stipulated that future decisions on an in-depth reform of the international monetary system must lead to a return to convertibility.

The common agricultural market will be considered very carefully, because we must of course ensure that no decisions we take in the monetary field adversely effect the operation of that market.

Moreover, the reason we opposed excessive exchange rate changes between Common Market countries (that is, between the two extremes represented by Italy and Germany) was precisely to prevent too much tension within the common agricultural market. This is a technical problem that we will now examine in depth. I can

tell you now that we are convinced we will find, among partners, a way to ensure the proper functioning of the common agricultural market. This is a fundamental issue for us.

Q. — And however difficult the upcoming trade negotiations between the Six and the Americans may prove, particularly on agriculture, the 10 % surcharge will be abolished, as you have already announced?

A. — It will be abolished as soon as the new exchange rates come into force; that means immediately. It may take a couple of days, I'm not sure exactly, for the administrative measures to be taken. But the joint decision — and I make no secret of the fact that it was the first matter I raised at the meeting of the Ten — was that the subject of our discussions, i.e. exchange rate adjustments, should be followed by the immediate abolition of the surcharge. I would add that the American delegation agreed that this approach was fully justified. So the discussion reached the desired conclusion from the point of view of the French delegation.