

'We need monetary union', from Corriere della Sera (12 May 1971)


Caption: On 12 May 1971, in an interview with the Italian daily newspaper Corriere della Sera, Franco Maria Malfatti, President of the European Commission, sets out his concerns about the repercussions of the monetary difficulties in Europe.

Source: Corriere della Sera. dir. de publ. SPADOLINI, Giovanni. 12.05.1971, n° 109; anno 96. Milano: Corriere della Sera. "Ci vuole l'unione monetaria", auteur:Passanisi, Enzo , p. 1; 2.

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URL:
http://www.cvce.eu/obj/we_need_monetary_union_from_corriere_della_sera_12_may_1971-en-a9e4aaf1-3bf9-4120-aa72-c76ef67f736c.html

Last updated: 06/07/2016



Malfatti in Brussels

We need monetary union

From our special correspondent

Brussels, 11 May

‘The European Community has experienced many crises in its history. It would be wrong, in the face of current difficulties, to depict the events in black and white. No doubt we are going through a difficult phase, but it is this that has brought us to the crossroads, to the responsibility for making rational choices. It would be unthinkable if — barely three months after the decision to unify European currencies, following the guidance provided by the Heads of State and Government in The Hague — we were to relapse into discouragement and inaction. On the contrary, there is an urgent need to devise reforms and changes to the contingent situation to speed up the journey on which we have jointly decided.’

Days of intensive activity

With this balanced, cautious, but essentially unpessimistic view, Franco Maria Malfatti, President of the Executive Committee of the European Common Market, today summed up the monetary crisis that has created such disquiet in the area of the European Community. These are days of intensive activity for the President, committed as he is on the dual front of financial negotiations and negotiations on the entry of new countries to the European Common Market. It is without doubt the most difficult time he has faced since he took over the high office from Jean Rey of Belgium on 1 July of this year.

The duties of the Executive Committee, consisting of nine Commissioners from six countries, could be compared to those of a government council. Its main task is to receive applications from the Community and to present them to the Council of Ministers. Remember the controversy sparked off by de Gaulle when he tried to restrict the Commission within limited, rigidly established confines; today, however, the Commissioners have expanded their sphere of intervention to practically every sector of Community life. A not inconsiderable contribution to this development has been made by the dynamism of Malfatti, a youthful Government man who came to the Presidency after holding office in Italy first as Minister for State Holdings and then as Minister for Postal Services.

Positive elements

The President receives me in his office, taking advantage of a break in the discussions with the British to read the newspapers and a mountain of releases. He comes straight to the point, while in the corridors the delegations start to wander back into the session.

‘I think that in such a delicate and complex situation as this,’ he says, ‘one must not allow oneself to be too swayed by emotion. The crisis shows there is still a good deal to be done to achieve European unity. It also demonstrates how urgent it is for monetary union to become a working reality. We have been forced into the realisation that the absence of good Community instruments has placed us in a position of weakness. It is only with Community instruments that we can now correct it and acquire a genuine position of strength.’

Is it not true, however, that the divisions among the six countries in the monetary field have been somewhat of a betrayal of the very spirit of the European Union?

‘It would be quite wrong to believe that. The factors uniting us and the interests we share go far deeper than any incidental situations that may divide us. Nor should we underestimate the positive elements that have emerged from the Council of Financial Ministers: the very principle of Community consultation; recognition that the system of monetary fluctuation within the Community is incompatible with the smooth operation of the European Common Market; the observation that no imbalances exist that might justify the revaluation of currencies; and the commitment into which we have entered to bring before the Council, in

the near future, the framework of measures proposed by the Commission in order to shelter the Community from the sudden emergence of international monetary crises.'

Together with the head of the Italian Delegation, Mario Ferrari-Aggradi of the Italian Chamber of Deputies, Malfatti has fought to the hilt to prevent the Deutschmark and the Dutch guilder from floating. In the end, faced with a hardening of the German position, the Italians have had to resign themselves, although they have succeeded in maintaining the binding negative judgment as a matter of principle and in securing the adoption of every possible protective measure.

The delegation that has flagrantly slammed the door in the face of the Germans, on the other hand, has been the French. 'I don't see what purpose it serves for us to come to the meeting on monetary union planned for 15 June,' said Finance Minister Valéry Giscard d'Estaing yesterday. The meeting in mid-June was to have been the first step towards the objective of a single currency within 10 years. Malfatti, as we have seen, is still hopeful that this basic goal can be achieved. As for the French, he points out that there has been no official communication as yet and anyway there is still a month to go for the hoped-for second thoughts.

As of this time, though, there is no sign of a softening of the French position, quite the opposite. At the meeting of the Agriculture Ministers of the Six, called this afternoon to adopt the necessary measures to protect 'Green Europe' after the monetary shock, the French delegation immediately took up a decidedly intransigent position. Perhaps the French intend to make the Germans pay for the setback they have suffered as the leading champions of non-fluctuation and have immediately set out on the warpath. The floating of the Deutschmark, they say, is forcing the Community to adopt protective measures, but these should last no longer than absolutely essential and should cover only a limited range of products. The Agriculture Ministers are left holding the hot potato passed to them by their colleagues in Finance. What is happening is limitation of the damage caused by the Germans' impulsive action, in the meantime dissuading Bonn from adopting unilateral steps that might widen the divide even further.

The more urgent measures relate to customs compensation for the countries that have caused their currency to float — in other words, the duty on agricultural goods going, for example, from Italy to Germany, which must be paid to offset the higher value of the Deutschmark, but also subsidies in the other direction, for products coming out of Germany. It has already been explained over the past few days how such measures inevitably disrupt the market. This creates a need to restrict the duration and scope of those measures, an argument advanced primarily by Minister Lorenzo Natali, who is leading the Italian Delegation. The meeting was also attended by the German Foreign Minister, Walter Scheel, who, to dispel the atmosphere pregnant with suspicion of anti-Europeanism, gave a brief preliminary speech of a political nature, with an assurance that Germany will not betray the Community ideal and will give its full support to monetary union. The German delegation, however, then stressed the advisability of maintaining the compensation measures in force throughout the period of fluctuation of the Deutschmark.

Another point at issue is the margin of fluctuation beyond which the customs corrective mechanism is triggered off. The Executive Committee had already laid down a limit of 2½ %, but this has apparently been more than exceeded between yesterday and today. Germany and the Netherlands, the countries with a floating currency, naturally hope that customs protection will be activated at an even lower level, while the others hope that the level will be set as high as possible.

Discussions are continuing throughout the night, especially as last Sunday the Germans already set an ultimatum expiring tomorrow morning, after which they reserve the right to take unilateral action by blocking imports and charging duty on them at their own discretion. It is commonly held, however, that nobody wants to come to a complete break, which would virtually mark the end of 'Green Europe'. At the time of writing, however, agreement has not yet been reached and it is presumed that the session will continue through to morning, with a new 'marathon' to follow the one that triggered off the monetary crisis between Saturday and Sunday.

Enzo Passanisi