Communiqué issued by the Group of Ten and the European Economic Community (Paris, 16 March 1973)

Communiqué issued after the ministerial meeting of the Group of Ten and the European Economic Community (Paris, 16th March 1973)

1. The Ministers and Central Bank Governors of the ten countries participating in the general arrangements to borrow and the member countries of the European Economic Community met in Paris on 16th March 1973 under the Chairmanship of Mr. Valéry Giscard d'Estaing, Minister of the Economy and of Finance of France. Mr. P.-P. Schweitzer, Managing Director of the International Monetary Fund, took part in the meeting, which was also attended by Mr. Nello Celio, Head of the Federal Department of Finance of the Swiss Confederation, Mr. E. Stopper, President of the Swiss National Bank, Mr. W. Haferkamp, Vice-President of the Commission of the European Economic Community, Mr. E. van Lennep, Secretary-General of the Organisation for Economic Co-operation and Development, Mr. René Larre, General Manager of the Bank for International Settlements, and Mr. Jeremy Morse, Chairman of the Deputies of the Committee of Twenty of the IMF.

2. The Ministers and Governors heard a report by the Chairman of their Deputies, Mr. Rinaldo Ossola, on the results of the technical study which the Deputies have carried out in accordance with the instructions given to them.

3. The Ministers and Governors took note of the decisions of the members of the EEC announced on Monday. Six members of the EEC and certain other European countries, including Sweden, will maintain 2.25 % margins between their currencies. The currencies of certain countries, such as Italy, the United Kingdom, Ireland, Japan and Canada, remain, for the time being, floating. However, Italy, the United Kingdom and Ireland have expressed the intention of associating themselves as soon as possible with the decision to maintain EEC exchange rates within margins of 2.25 % and meanwhile of remaining in consultation with their EEC partners.

4. The Ministers and Governors reiterated their determination to ensure jointly an orderly exchange rate system. To this end, they agreed on the basis for an operational approach towards the exchange markets in the near future and on certain further studies to be completed as a matter of urgency.

5. They agreed in principle that official intervention in exchange markets may be useful at appropriate times to facilitate the maintenance of orderly conditions, keeping in mind also the desirability of encouraging reflows of speculative movements of funds. Each nation stated that it will be prepared to intervene at its initiative in its own market, when necessary and desirable, acting in a flexible manner in the light of market conditions and in close consultation with the authorities of the nation whose currency may be bought or sold. The countries which have decided to maintain 2.25 % margins between their currencies have made known their intention of concerting among themselves the application of these provisions. Such intervention will be financed, when necessary, through use of mutual credit facilities. To ensure fully adequate resources for such operations, it is envisaged that some of the existing "swap" facilities will be enlarged.

6. Some countries have announced additional measures to restrain capital inflows. The United States authorities emphasised that the phasing out of their controls on longer-term capital outflows by the end of 1974 was intended to coincide with strong improvement in the United States balance-of-payments position. Any steps taken during the interim period toward the elimination of these controls would take due account of exchange market conditions and the balance of payments trends. The United States authorities are also reviewing actions that may be appropriate to remove inhibitions on the inflow of capital into the United States. Countries in a strong payments position will review the possibility of removing or relaxing any restrictions on capital outflows, particularly long-term.

7. Ministers and Governors noted the importance of dampening speculative capital movements. They stated their intention to seek more complete understanding of the sources and nature of the large capital flows which have recently taken place. With respect to Eurocurrency markets, they agreed that methods of reducing the volatility of these markets will be studied intensively, taking into account the implications for the longer run operation of the international monetary system. These studies will address themselves, among other factors, to limitations on placement of official reserves in that market by member nations of the IMF

and to the possible need for reserve requirements comparable to those in national banking markets. With respect to the former, the Ministers and Governors confirmed that their authorities would be prepared to take the lead by implementing certain undertakings that their own placements would be gradually and prudently withdrawn. The United States will review possible action to encourage a flow of Eurocurrency funds to the United States as market conditions permit.

8. In the context of discussions of monetary reform, the Ministers and Governors agreed that proposals for funding or consolidation of official currency balances deserved thorough and urgent attention. This matter is already on the agenda of the Committee of Twenty of the IMF.

9. Ministers and Governors reaffirmed their attachment to the basic principles which have governed international economic relations since the last war — the greatest possible freedom for international trade and investment and the avoidance of competitive changes of exchange rates. They stated their determination to continue to use the existing organisations of international economic cooperation to maintain these principles for the benefit of all their members.

10. Ministers and Governors expressed their unanimous conviction that international monetary stability rests, in the last analysis, on the success of national efforts to contain inflation. They are resolved to pursue fully appropriate policies to this end.

11. Ministers and Governors are confident that, taken together, these moves will launch an internationally responsible programme for dealing with the speculative pressures that have recently emerged and for maintaining orderly international monetary arrangements, while the work of reform of the international monetary system is pressed ahead. They reiterated their concern that this work be expedited and brought to an early conclusion in the framework of the Committee of Twenty of the IMF.

Source: Ministry of the Economy and Finance, Paris