

UNCLASSIFIED

.(Based on Guidance No 184 of 18/7)

INFORM NO 125/72

Information Department
British Embassy
Washington DC 20008

19 July 1972

MEETING OF FINANCE MINISTERS OF THE ENLARGED COMMUNITY

1. THE FINANCE MINISTERS AND CENTRAL BANK GOVERNORS OF THE COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY AND THE ACCEDING STATES MET IN LONDON AT LANCASTER HOUSE ON THE AFTERNOON OF 17TH AND MORNING OF 18TH JULY. THE CHANCELLOR OF THE EXCHEQUER WAS IN THE CHAIR.

THIS WAS AN INFORMAL MEETING...THE PURPOSE WAS TO EXCHANGE VIEWS RATHER THAN TO TAKE DECISIONS.

INSTRUCTIONS FOR USE.

2. THIS GUIDANCE IS INTENDED PRIMARILY FOR YOUR OWN INFORMATION BUT THE WHOLE OF ITS CONTENTS MAY BE USED FREELY AS REQUIRED.

3. THE FIRST MEETING OF THIS KIND OF THE ENLARGED COMMUNITY WAS HELD IN ROME ON 24TH AND 25TH APRIL. THE CHANCELLOR OF THE EXCHEQUER THEN PROPOSED THAT THE PRESENT MEETING SHOULD BE HELD IN LONDON WITH THE PRIMARY PURPOSE OF DISCUSSING THE OBJECTIVES OF INTERNATIONAL MONETARY REFORM IN PREPARATION FOR THE WORLD-WIDE DISCUSSIONS EXPECTED TO START IN SEPTEMBER.

4. SPEAKING AT A PRESS CONFERENCE AT THE END OF THE SESSION ON 17TH JULY THE CHANCELLOR OF THE EXCHEQUER SAID THAT IT HAD NOT BEEN THE PURPOSE OF THE MEETING TO TAKE RIGID POSITIONS IN ADVANCE OF GENERAL INTERNATIONAL DISCUSSIONS, BUT THE MEETING HAD SHOWN A WIDE MEASURE OF AGREEMENT ON THE FOLLOWING OBJECTIVES.

THE REFORMED SYSTEM SHOULD :

CONTINUE TO BE BASED ON FIXED BUT ADJUSTABLE PARITIES ,
BE DESIGNED TO RE-ESTABLISH A GENERAL CONVERTIBILITY
OF CURRENCIES ,

PROVIDE FOR EFFECTIVE REGULATION OF THE SUPPLY OF LIQUIDITY
IN THE WORLD ,

PROVIDE FOR SECURING THE NECESSARY ADJUSTMENTS IN THE BALANCE OF PAYMENTS IN PARTICIPATING COUNTRIES ,
HAVE REGARD TO THE NEED TO REDUCE THE DE-STABILISING EFFECTS OF SHORT-TERM CAPITAL FLOWS ,
CONFORM TO THE PRINCIPLE OF EQUAL RIGHTS AND OBLIGATIONS OF ALL PARTICIPATING COUNTRIES ,
HAVE REGARD FOR THE INTERESTS OF THE DEVELOPING COUNTRIES.

5. SUCH A SYSTEM SHOULD BE IN NO WAY INCOMPATIBLE WITH THE PROGRESSIVE ACHIEVEMENT OF ECONOMIC AND MONETARY UNION OF THE ENLARGED EEC.

6. ON 18TH JULY THE MINISTERS AND GOVERNORS HAD A FURTHER DISCUSSION OF CERTAIN SPECIFIC QUESTIONS WHICH FLOW FROM THESE OBJECTIVES. IT WAS LEFT THAT THE EEC MONETARY COMMITTEE AND COMMITTEE OF CENTRAL BANK GOVERNORS WOULD TAKE NOTE OF THE DISCUSSION AND PURSUE CERTAIN QUESTIONS FURTHER ,
NAMELY THE QUESTION OF THE NUMERAIRE, THE CONTROL OF INTERNATIONAL LIQUIDITY, THE QUESTION OF CONSOLIDATION OF BALANCES HELD IN RESERVE CURRENCIES AND THE PROBLEM OF SHORT-TERM CAPITAL FLOWS.

7. THERE IS ALREADY ARRANGED A FURTHER INFORMAL MEETING OF THE FINANCE MINISTERS TO BE HELD IN LUXEMBOURG ON 11-12TH SEPTEMBER, WHICH IS LIKELY INTER ALIA TO DISCUSS A EUROPEAN FUND FOR MONETARY CO-OPERATION AND ALSO POINTS FOR THE IMF ANNUAL MEETING AT THE END OF SEPTEMBER.

8. THE WHOLE OF THE DISCUSSION AT THE LANCASTER HOUSE MEETING WAS CONFINED TO THE MAIN ITEM ON THE AGENDA, NAMELY INTERNATIONAL MONETARY REFORM.
THERE WAS NO DISCUSSION OF OTHER MATTERS.