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FOR IMMEDIATE RELEASE

COMMON MARKET REACTS TO NEW U.S. MONETARY POLICIES

WASHINGTON, D.C., August 20, 1971 -- The European Community's Council of Ministers has asked the Committee of Central Bank Governors to meet Monday to seek a solution for the monetary situation created by the United States' new economic policies.

The Council requested that the Committee -- a consultative body of the EEC -- work out a formula which would gradually reduce the margins of fluctuation between the member states' currencies.

These instructions were contained in a communique issued by the Council after a 16 hour meeting which broke up at four in the morning today (Brussels time). Great Britain, an applicant country to the Community, was consulted during the session. An official announcement that the money exchange markets in the Community would reopen Monday was also in the Council communique.

The Council is next scheduled to meet regarding monetary matters September 13. On September 15, the Group of Ten, comprised of the United States, United Kingdom, Germany, France, Italy, Belgium, the Netherlands, Japan, Canada, and Switzerland, will convene, and the International Monetary Fund's conference will begin September 27. The most immediate gathering on the ramifications of the latest U.S. economic measures, however, will take place Tuesday in Geneva when members of the General Agreement on Tariffs and Trade (GATT) discuss the United States' imposition of a 10 per cent import surtax.

Although disappointment was expressed that a joint monetary position had not yet been agreed upon by the Council, the Commission noted that the dialogue was still continuing and reaffirmed its determination to expedite a solution essential to the Community's solidarity.

Following is the text of the communique issued by the Council at the close of its meeting:

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"The Council of Ministers of the European Communities has examined the measures taken by the American Government in order to reestablish the balance of payments situation. The Ministers consider that the suspension of the dollar's convertibility into gold, and the imposition of the 10 per cent surtax on imports, deeply affect international monetary order and foreign trade. These measures show clearly that it is necessary, in order to assure the liberty of trade and international payments, to reform the international monetary system, including those parity readjustments which would seem necessary.

"Therefore, the member states will take a common initiative within appropriate international institutions, in particular the International Monetary Fund, an institution whose role they stress as being essential.

"Conscious of the necessity to reopen the money markets of the member countries on Monday, the Council agrees that it will be necessary to take measures to secure the proper functioning of these markets, until the international monetary system can be reformed. Direct contact with the Government of the United Kingdom was established during the proceedings. The Council acknowledges that the rate of the U.S. dollar will be established freely in certain countries of the Community on a single exchange market, and fixed in other countries in a two-tier exchange market.

"Finally, the Council has decided to ask the Committee of Governors of Central Banks and the Monetary Committee to follow the evolution of the exchange markets in the Community countries, in order to present, as soon as possible, proposals regarding techniques to effect a gradual reduction of the fluctuation margins among the Community currencies, which by its nature improves the functioning of the agricultural common market and is indispensable for a steady advance towards the formation of the economic and monetary union. The Council will meet again on September 13, 1971."

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