

Letter from Hubert Ansiaux to Paul van Zeeland (Brussels, 27 March 1950)

Caption: On 27 March 1950, Hubert Ansiaux, Governor of the National Bank of Belgium, submits to Paul van Zeeland, Belgian Foreign Minister, a report on the progress made in the negotiations on the creation of a European Payments Union (EPU).

Source: Archives historiques des Communautés européennes, Florence, Villa Il Poggiolo. Dépôts, DEP. Organisation de coopération et de développement économiques, OECD. European Payments Union/European Monetary Agreement, EPU/EMA. EPU/EMA 8.

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The Honourable P. Van Zeeland
Minister of Foreign Affairs and External Trade
8, rue de la Loi
Brussels

Brussels, 27 March

Dear Minister,

It is my honour to confirm what was said at the interview which you kindly granted me last Saturday 25 March in Paris and to update you on the progress made in the negotiations on a European Payments Union.

As was agreed by the leading delegations, the Payments Committee set up working parties to be responsible for the consideration of a number of technical issues, in particular the definition of a unit of account and the establishment of rules governing overall automatic compensation as well as of those which would make it possible to make settlements on a cumulative basis.

At all events, these issues have to be reviewed, so time is not being wasted.

The working parties will probably submit reports setting out a number of solutions from which the Committee will make its choice, once it has defined the general principles underlying the Payments Union.

In the interim, the leading delegations held an unofficial meeting at the office of the United Kingdom delegation to study the note that it had circulated to a number of individuals privately and without any commitment on its part.

The note that is now under review differs slightly in its presentation from the preliminary draft which I sent to you in my letter dated 18 March. But it does not differ with regard to the actual nature of the proposals set out therein.

The note was further considered at three meetings that were attended by British, French, Italian, Dutch, Norwegian and Belgian representatives, as well as by the delegates from the ECA (Economic Cooperation Administration) and from the General Secretariat.

The conclusions that emerged from that consideration may be summarised as follows:

- (a) The British memorandum does not address the issue of how the Payments Union will be organised; it deals only with the possible relationship between the sterling area and such a Union.
- (b) The British intend to maintain intact their system of bilateral relations, and they reserve the right to apply discriminatory measures in their bilateral relations, should settlements be made using gold.
- (c) However, they propose to enter into a Payments Union where the use of that Union would allow them to avoid settlements using gold. In that event, the Payments Union would make settlements on their behalf and, as and when they chose, they would hand over to the Union settlements either in gold or in European currencies that they hold and from which they would choose.

This provision would allow Britain to settle a debt in gold with Switzerland or Belgium while transferring to the Union, for example, Greek drachmae or Austrian schillings.

- (d) On the other hand, a country to which Britain was not prepared to extend credit bilaterally could obtain

sterling via the payments system; in that event, Britain would be in credit with the Payments Union, and it could convert that credit in part into either gold or dollars, just like other creditors.

(e) Britain does not intend participating in the winding up of the Payments Union which it sees as being simply the sharing out of the debts existing at that time amongst those countries who are creditors at that moment.

(f) However, Britain wishes to take part on an equal basis with the other members in the governing body of the Payments Union.

The general feeling among all those who took part in the exchange of views, with the possible exception of the Norwegians, was that the British proposal was unacceptable since, in essence, it meant allowing Britain to continue to enjoy the advantages of its bilateral agreements, when that is more advantageous, while giving it access to the Payments Union when a settlement through that channel is better, without its having to assume any commitments under the Union or share any of the risk involved in setting it up.

The experts will meet again on Wednesday to inform the British delegation of their final response, which has not yet been made known. They have agreed among themselves, (and you kindly informed me that you approve that position) that they will inform the British delegation that the proposal is not acceptable in its current form, explain why and to ask them, on the basis of observations made, to look at the issue again and, where appropriate, submit a new proposal.

I shall certainly keep you informed of developments.

Yours sincerely,

(sgd) H. Ansiaux