

Report submitted to Paul van Zeeland by Hubert Ansiaux (Paris, 26 May 1950)

Caption: On 26 May 1950, Hubert Ansiaux, Governor of the National Bank of Belgium and member of the Belgian delegation at the negotiations of the Sixteen on the creation of a European Payments Union (EPU), briefs Paul van Zeeland, Belgian Foreign Minister, on the progress made regarding the establishment of an 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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To Mr P. Van Zeeland,
Minister of Foreign Affairs and External Trade
Brussels

Paris, 26 May 1950.

Dear Minister,

I have the honour to report to you of the progress of the talks that are under way on the establishment of a European Payments Union.

The issue of including sterling in such a Payments Union has been virtually settled in a very satisfactory way, as I informed you in my previous message. I consider the outcome to be extremely important for the future of Europe, because it shows Britain's determination to take a more direct interest in European issues.

Particularly in the light of the arrangements for including sterling in the European Monetary Union, I am convinced that the decision signals a radical shift in British monetary policy, the impact of which will doubtless become evident over the coming months.

For a number of months now, sterling has rallied considerably, and this has determined Britain's stance. Should this rally continue, we may look forward to a return to a de facto if not de jure convertibility of the pound in the not too distant future.

Talks on how the European Payments Union would operate are continuing, but in a much less satisfactory way.

The British proposal is still the only one before the Payments Committee. Although private talks are being actively pursued, they have not yet led to the drafting of a new document that might provide a basis for talks.

While rejecting the British proposals as inadequate, the ECA is reluctant to set out its position clearly, and it has, to date, not been of great help to us.

Although it feels that the level of credits proposed by Britain goes beyond reasonable limits, the French delegation will not put forward a specific counter-proposal on the matter and is also hinting that the schedule of payments in gold proposed by Britain, both in terms of debtors and creditors, might secure its approval.

The Italian delegation is refraining from taking any position whatsoever so that it may have its hands free in the final stages of the negotiations.

The Dutch delegation could accept large credits and limited payments in gold. It goes without saying that the Scandinavians, just like the other debtors, would be quite happy with the British idea.

However, I was able to push the talks forward slightly this morning with a number of suggestions that were based on comments made by the various delegations in the private talks that I have held with them over recent days in my capacity as Chairman of the Payments Committee.

Without it being able to be seen in any way as a proposal from the Belgian delegation (as I was very careful to make clear), this allowed me to come up with the following five suggestions which reflect views that are either shared views or specific to certain delegations, namely the French, Italian and Belgian delegations and the ECA.

The purpose of these suggestions was to fine-tune the British document in such a way that, in its amended form, it might serve as a basis for discussion. In other words, the document, once amended, would not

commit anyone but would constitute a starting point for talks in which each delegation would retain its full freedom of manoeuvre.

The five suggestions are as follows:

1. The basis for quotas should be reduced by one half: that is by 10 % of total cumulated imports, exports and invisibles instead of by the 20 % set out in the British proposal.
2. Gold payments made by the debtor countries and received by creditor countries should be equal to 50 % of their total respective quotas.

Debtors would make these settlements in gold in stages as soon as a maximum of 10 % of the credit had been made available to them.

Creditors would receive gold in decreasing proportions, starting, for example, with 75 % but never falling below 25 %.

This provision would ensure that debtors would use their credits when the creditors are paid in gold, while the creditors would not have to extend credits until the debtors themselves were obliged to make large gold payments.

There would thus be less risk of credits being frittered away as soon as the system came into effect.

3. It would exclude any notion of discriminating against creditors simply because they are creditors and because they agreed to almost all the credits that they are committed to extend.

However it is conceivable that a debtor country which was insolvent and therefore could not meet its commitments in gold to the Payments Union would be allowed to re-introduce quantitative restrictions on a non-discriminatory basis.

4. Debtors encountering difficulties could obtain special assistance in the form of grants or loans as the case may be, through dollar payments drawn from the Payments Union which would be made available to them to allow them to meet their obligations in gold to the Union.

This special assistance would not be automatic, of course. It would be determined by the Union's Management Committee on a case-by-case basis.

It would also be clear that a debtor could always make these payments using either gold or a convertible currency or the currency of a creditor member of the Union based on rules to be established in due course.

This would safeguard the possibility of an appeal to the International Monetary Fund, though its intervention would not be automatic.

5. A special regime should exist for Greece and Austria, since their positions are particularly distorted.

Those countries would, at the outset, receive a set amount in dollars which would be transferred to the Payments Union which, in exchange, would credit the accounts of those two countries.

They would not obtain credit margins and could simply draw down from their account until it was totally exhausted.

The dollars for that special assistance would be in addition to those allocated to the operating costs of the Union.

A similar regime should apply to Norway and the Netherlands, since they still have considerable structural

deficits.

However, apart from this special assistance that they would be given at the start and which would cover only part of their deficits, they could obtain a quota of credits for an amount to be discussed and would therefore have to make settlements in gold to the extent that they have this credit available.

These suggestions were quite warmly welcomed during unofficial meetings between the British, French, Italians, Norwegians, Dutch, Belgians and the ECA. It is too early, however, to say that they can really serve as a basis for negotiation. A further meeting is planned for next Wednesday. I hope that, at that meeting, each side will define its position more clearly, and then we could doubtless ask the Secretariat to draft a document that would, of course, differ from the British document and would probably include the above suggestions. That Secretariat document would be a neutral contribution, on the basis of which each delegation could establish its own position.

In this way, I hope to avoid taking the British proposal as the starting point for the negotiations, since it is far too contrary to Belgium's interests.

Of course, I would have preferred to have a counter-proposal from the French delegation, but, unfortunately, they avoided taking any such initiative.

The ECA is also adopting too prudent a position for it to be given a greater role.

Given this situation, I found it best not to be the only one to go onto the offensive, since the position that I would have taken would clearly have been seen as the lowest common denominator, whereas, with this approach, we can hold our talks on the basis of a neutral proposal that represents a mid-way position which we could then improve upon.

I shall ensure that you are kept informed of developments in these negotiations.

Yours sincerely,

(sgd) H. Ansiaux