

STATEMENT BY DR. STIKKER ON THE NETHERLANDS PLAN OF ACTION, made at the Council Meeting of O.E.E.C. on July 7th 1950.

Before we start our discussion on the Netherland's Plan of Action, I would like to ask your permission to give from my side some further comment on the proposals we have sent about a month ago to all the governments represented around this table.

There are in my opinion two reasons which make this necessary.

In the first place, as time goes on, circumstances may change with it, and even a lapse of time of one month may make it necessary to reconsider the question whether proposals made a month ago have still their same relevance or need to be changed.

In the second place we have received from many delegations formal or informal reactions and from these we have gained the impression that our original proposals need on some points further elucidation.

In this connection I would like to stress that the purpose of the Netherland's Plan of Action has been to give guidance to the many thoughts and schemes which in the course of the years have arisen within our Organisation with regard to the European integration.

We should be careful to avoid that the proposals which come before our Council are treated in such a way that they can only be accepted or rejected in their entirety, because that might lead to a situation that a sort of competition would arise between different projects. It would be far better if we tried to pool the different initiatives. In this connection I would like to say that I have read with great interest the constructive proposals put forward by our Italian colleague.

Before going into the question whether the latest developments affect in any way the Netherland's Plan of Action, we must first of all try to analyse the impact of the youngest developments on the present European situation.

I am sure that we all realise, perhaps even more

than we did a few months ago, that the American aid for the next fiscal year will be reduced to a very considerable extent and that it will be extremely difficult for many countries to adapt themselves to this diminution.

In the second place we must take into account the increasing rate of military expenditures.

And in the third place it is clear that the demands for higher wages threaten in many countries the stability of prices and wages.

These three factors are sure to have their influence on the budget as well as on the balance of payments of the participating countries.

This development might well induce us to take again recourse to purely national protective measures. In my opinion, however, this development is a new proof of the absolute necessity to integrate our economies as soon and as fully as possible, in order to obtain the most efficient production in Europe, increase the standard of living and promote equilibrium with the rest of the world.

When I look back on the many achievements of our Organisation in the last year, I believe that we may conclude that we have reached a point where it is of the utmost importance that we avoid trying to stimulate European Co-operation by what perhaps might be called incidental measures.

The fact that in the past we have perhaps in some cases pushed too fast, that in other cases slogans and public opinion made us take decisions which were not in the interest of the whole, has created an atmosphere of unrest and uncertainty.

Therefore it is necessary that we proceed on the basis of a simple and clear plan of action, which will make it possible that for a certain period the participating countries know what they are aiming at.

This is the purpose of the Netherland's Plan of Action. It tries to indicate a direction in which we should possible move. It aims at cushioning sudden shocks, which our economies may not be able to support and which might lead our governments to take incidental decisions, the consequences of which they will scarcely be able to foresee.

The Netherland's Plan of Action wants to facilitate the measures of liberalisation and wants to create a larger European market for as many branches of industry as possible.

It is our opinion that the creation of such a large European market will not only have the most favourable results for an efficient production resulting in a higher standard of living, but also that the creation of such a market will help to solve the vital problem of the European dollar gap. We all know that if at the end of the Marshall-aid we want to attain viability, Europe has to export on a much larger scale to the Western Hemisphere and to those countries which can export to Europe the necessary raw materials. This can only be achieved if all the participating countries increase their production, but we are of the opinion that this should be a balanced collective effort and not a balanced national effort. Only collectively we will be able to reach our ultimate aim.

But when I speak of a collective European economic effort I would like to make it quite clear that in the opinion of the Netherland's Delegation this collective European effort is only a stepping stone to world wide liberalized trade, which alone can bring back prosperity to all our countries.

I now like to go into some of the details of our Plan of Action.

It is clear that the first phase of this Plan (viz the raising of the general liberalisation percentage) will only help in achieving the ultimate aim, if already at the moment that this first phase is to be effectuated, it is certain that the principles of the second phase during which the completion of the integration by branches of industry is to be brought about, have been adopted.

In this second phase the European Integration Fund will come into operation. It is certainly not the intention of the Netherland's Plan of Action that the Technical Committees for the various branches of industry or the European Integration Fund will have to occupy themselves permanently even with those branches where it may be necessary to give some help. The Technical Committees and the Integration Fund will both work on an ad hoc basis. This means to say

that, once the Council has taken a decision on the advice of the Integration Fund and allowances to certain countries have been made, the aim, viz. to eliminate the specific obstacles for complete liberalisation in a certain branch of industry, has been achieved. It also means that new investments contemplated by a country in a liberalised branch of industry, should be free, and the system of free competition should work unhampered.

It is essential that our efforts towards complete liberalisation are not started only in one branch of industry, but simultaneously in various branches.

The above described principle should be the general rule; but our procedure should be as flexible as possible. Therefore the French suggestion of a common list as well as the Italian proposal of a simultaneous and progressive decrease in tariffs, are as far as I can see, compatible with the approach of the Netherland's Delegation.

In the opinion of the Netherland's Delegation it will be possible to achieve the ultimate aim of integration without completely eliminating tariffs in all fields.

Consequently there will be room for fitting in certain preferential arrangements that under special circumstances ought to be maintained within the framework of integration.

Furthermore the industry by industry approach should leave room for differences in procedure and in the ultimate objectives for the different industries. When I say this I think in particular of the discussions which are now going on as regards the integration of the coal and steel industry, as a consequence of the bold initiative of my French colleague Mr. Schuman, and also of agricultural production, which by its nature requires a special treatment.

If I may expend for a few minutes on this problem of agriculture, it should be clear that also here the ultimate objective should be to reach the most efficient production. Agriculture should supply the population with the best quality of its products at the lowest price. The different measures which have been taken up till now in the various countries in the field of agriculture, might, however, create the danger that in the eighteen participating

countries eighteen different forms of dirigism will come into existence. For agriculture also the ideal situation would be a completely free market, but it is clear that in the agricultural field special and different production patterns have developed under different circumstances.

From the special, economic and political point of view it is clear that agriculture is vital for the economies of all the participating countries. Therefore it will be imperative to reconcile the most efficient production at the lowest prices in Western Europe with the existing agricultural structures in the participating countries. I am therefore of the opinion that it would be helpful if special attention could be paid to this extremely important branch of our economies. This might perhaps be done in the most effective way by calling a conference of the Ministers for Agriculture of the Participating Countries in the near future. At such a conference the Netherlands Government would be prepared to table some proposals on the lines just mentioned.

Finally I would like to come back to the functioning of the Integration Fund. Now that the setting up of a satisfactory European Payments Union has become a fact, it is clear that the aid given by the Integration Fund and the contributions to the Fund, as far as they will be given in European currencies, will have to be channeled through E.P.U.

Therefore in our opinion it shall be necessary that when deciding on the size of the contributions of the participating countries to the Integration Fund, due regard will have to be given to the position of the participating countries in E.P.U. It should be avoided that because of the functioning of the Integration Fund extreme creditor or extreme debtor positions would arise.

I do not believe that this is the right moment to go deeper into technical details, I only would like to say that as well as regards the size of the Fund as the monetary implementations we should take into consideration the relative ability of the various countries to bear the burdens implied.

Another question about which I would like to say a few words is in how far the Fund will have to deal with the different industries themselves or with the governments of the countries where those industries are situated. In our opinion the Fund should only give its intermediary, guarantees or assistance to the governments of the interested countries.

How this aid will be distributed to the enterprises concerned, is a problem to be decided by the participating countries themselves although the Fund should exercise in one way or another a certain control on the use made of the aid. The task of the Fund should be to facilitate the measures towards liberalisation. These measures will practically never concern exclusively one special branch of industry, but will affect the whole economy of the participating countries. Already for this reason alone the Fund should only deal with governments.

In the opinion of the Netherland's Delegation the resources of the Fund may only be used when the Fund has failed to find the necessary means elsewhere through intermediary action.

In that case the principle should be that the Fund gives a guarantee. In so far as this would not provide a solution, the Fund should give a loan.

The Netherland's Delegation has prepared a first draft of a working-paper about the monetary implications of the Fund, the contributions and the various forms under which aid might be given. This draft working-paper is at the disposal of all delegations.

Finally a few words might be said about the problem of full employment.

I hope I have made it clear, that the Netherland's Delegation considers that the task of the Fund only exists in giving aid in direct relation to the integration.

As to a general fall of employment as a consequence of a general slump, the Netherland's Delegation does not believe that this danger is at the present moment so acute that already now we should define a possible task of the Integration Fund in this field.

Structural unemployment however presents a problem of a totally different scope. We think that we must try to solve the main difficulties in European economy by common effort. Therefore the Netherland's Delegation is willing to give its support to all those measures which might help to solve this problem of structural unemployment. A solution of this problem is however only possible if we can find cooperation not only in Europe.

I am convinced that many of our colleagues would like to receive clarifications on many of the problems raised by our proposals.

Let us not forget that the world-situation is getting more dangerous every day, and that any loss of time may be fatal. If we want to unite our economic forces we should do so now, this very moment.

I would appreciate if my colleagues would be willing to consider the views which I have put before them in this light.

I would like to have now an exchange of views and accordingly I would welcome some further reactions on the Netherland's Plan of Action.

Paris, 7th July 1950.

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Or. Engl.

COUNCIL

WORKING PAPER OF NETHERLANDS DELEGATION

ON THE FUNCTIONING OF A EUROPEAN INTEGRATION FUND

I. Assistance to be provided by the European Integration Fund.

Before setting out in any detail the manner in which the European Integration Fund could provide assistance, the preliminary procedure should be laid down.

As outlined in the Plan of Action for European Economic Integration, the Council should determine, on the proposal of the Secretariat, the branches of industry to which integration will be applied.

The Council will set up a Technical Committee for each of these branches of industry.

Each Committee will consist of experts appointed by the governments of those Member countries which have a fairly large production capacity in the beginning concerned. It should, however, be pointed out that Representatives of other Member countries may take part in the discussions of the Technical Committees.

Such representatives might ask to have their views on certain questions included in the Technical Committees report referred to below.

It might be desirable for a representative of the E.I.F. to attend discussions of the Technical Committees as an observer. If the Committee is of the opinion that integration of the branch of industry concerned might give rise to certain difficulties and would not be possible without additional measures being taken, its report should contain recommendations for the taking of such measures. As the members of the Committee are only experts on the industry concerned, the recommendations of the Committee should apply only to that industry.

Should the Committee consider that measures taken in connection with the industry concerned would not suffice, it will confine itself to stating this fact. In other words, the Committee should not formulate proposals for investment in other industries.

In the first place it would be for those countries where integration encountered certain difficulties to put forward suggestions for their solution. The recommendations of the Committee could include, among others, suggestions for modernising the industry in question in a particular country.

The report of the Committee need not necessarily be unanimous and minority opinions should be recorded.

The Committee will submit its report to the Council, at the same time sending a copy to the E.I.F. The Committee may use the services of the Secretariat in the same way as already existing committees.

The E.I.F. will advise the Council on the report of the Technical Committee, and may grant a hearing to the countries concerned. In particular, it would do so if the Technical Committee were of opinion that the measures taken in the branch of industry under consideration would not solve such difficulties or would only provide a partial solution. If, in a given country, integration would be likely to entail the closing down of certain firms within the industry concerned, that country may ask the E.I.F. for assistance in order to make investments in other branches of industry. Such assistance could only be given insofar as such investments are not made in protected industries.

The advice given by the Fund should include, for each project recommended, a specified programme showing its extent, character, terms of execution, financial basis, number of workers to be employed, etc. It should also indicate the amount of assistance which the Fund could give, if necessary sub-divided in E.P.U. units and dollars together with the form of assistance recommended by the Fund.

This form will vary according to the special cases for which assistance will be provided.

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The Fund may provide assistance in the following ways:

- (a) by acting as intermediary in obtaining the necessary funds for the investments recommended;
- (b) by supplying a guarantee;
- (c) by an interest-bearing loan;
- (d) by an interest-free loan.

In principle, the country concerned will itself endeavour to obtain the funds necessary for the investment recommended, either at home or abroad. The Fund would provide assistance if difficulties arise in this respect.

The following are cases in which the assistance of the Fund might be required:

(1) The funds cannot be raised because the risks involved in the recommended project are considered to be too great.

(2) The funds required cannot be found either at home or abroad on account of a scarcity of capital.

(3) The funds cannot be raised at home (or, if they could, this would not solve the problem because the project depends on imported capital equipment) and while the country, for balance of payment reasons, cannot seek funds elsewhere.

(4) Under paragraph 20 of the Plan of Action, the E.I.F. may contribute to the expenses incurred in transferring and retraining workers.

Whenever the necessary amount can be obtained in some other way through intermediary action, the Fund will endeavour not to use its own resources. It is clearly impossible to give an accurate description of the duties of the Fund in its intermediary capacity. It might be possible to obtain loans from other international institutions for the purpose of integration and perhaps certain European creditor countries might also be willing to grant loans over and above their obligatory contribution. When intermediary action has been unsuccessful, the E.I.F. would provide assistance to the Government of the country concerned preferably in the form of a guarantee.

This solution might be applied to case 1.

Under certain circumstances it might be useful to combine the two procedures (intermediary action and guarantee).

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When the country concerned holds the opinion that Case 2 or 3 occurs, the Fund may, on the request of the interested country, advise that assistance be provided in the form of a loan.

Should the Fund advise that a loan be granted, it will also indicate the conditions for granting such a loan. As a rule, the loan should be redeemed in twelve annual instalments, redemption starting three years after the granting of the loan.

When the Fund proposes an interest-bearing-loan or an interest-free loan, it should take into account the specific characteristics of the project in question and should fix the rate of interest so as to discourage too frequent demands for a loan instead of a guarantee.

The Council will decide on the advice of the E.I.F. Decisions must be taken on a three/fourth majority.

The Decision of the Council must include a detailed description of the project for which assistance is to be provided as well as the period in which it should be completed.

The decision should also lay down the form in which assistance will be provided together with the conditions for payment of interest and redemption. If it has been decided to grant a loan, the Fund will make the necessary payments. Such payments shall be made to the Government of the country concerned.

The Fund shall deal solely with Governments and any redemption must be made by the Governments concerned.

The Government will be free to choose the manner in which assistance will be distributed inside the country and may lay down its own conditions in this respect provided the project is carried out in the prescribed form. Similarly, the Government is free to place orders with any country it may choose within the limits of the indicated currency group.

If it appears, subsequently, that a project is not a paying proposition, and if the country concerned requests that its redemption commitments be remitted or postponed, or desires to make use of guarantee facilities provided, such a request will only be admitted if the interested Government proved that the failure of the project is not due to the onerous conditions which it has itself imposed.

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In the case of a loan, the E.I.F. will decide whether the funds have been used for the purposes for which they have been provided. If the E.I.F. considers that this is not the case, it may withhold further payments. The country concerned may appeal to the Council against such a decision.

If a country considers that it cannot carry out its commitments in respect of interest and/or redemption, it should supply the Fund with some proof that the return on the investments has been insufficient to make this possible. If satisfactory proof were provided, the E.I.F. could propose to the Council either that the payment of interest and/or redemption be postponed, or that the rate of interest be revised, or that the loan be wholly or partially changed into a grant.

If the Fund considers that no satisfactory proof were provided and if the country did not agree with the Fund's decision in this respect, appeal to the Council would be allowed.

Similarly, a country wishing to use the facilities attaching to a given guarantee, would have to prove to the satisfaction of the E.I.F. that the investment in question had been made and had turned out to be partly or wholly unremunerative. Here again in the case of the Fund's rejection of the request, appeal could be made to the Council.

Under certain circumstances a country might request that a redemption commitment be changed from dollars into E.P.U. units. Such a request would also have to be accompanied by satisfactory reasons for doing so, and the E.I.F. would then advise the Council concerning it. If a loan paid in E.P.U. units carried a redemption commitment in dollars, the Council may decide that the dollars received by the E.I.F. must be sold to E.P.U. against E.P.U. units.

The administration costs of the E.I.F. would be paid by the O.E.E.C. out of Member countries' contributions.

II. Technical arrangements for contributions to and allocations from the E.I.F.

The E.I.F. must dispose of European currency as well as dollars. As long as there is no convertibility between these two currency groups, the technical arrangements for contributions and allocations in each group must be kept separate.

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A. Contributions and allocations in dollars.

Contributions in dollars may be obtained by the Fund in the following ways:

- (1) From foreign currency reserves held by Member countries.
- (2) From a certain percentage of the "direct aid" allocated to Member countries.
- (3) From special contributions to be made possibly by the U.S.A.

As regards the second and third cases, consultation with the E.C.A. authorities would be necessary.

As regards dollar allocations from the Fund, it would seem preferable not to transmit the dollars to the beneficiaries, but that payment should be made directly by E.I.F. to the country supplying the capital equipment.

B. Contributions and allocations in European currencies.

The greater part of the Fund would, at any rate at the outset, consist of contributions in European currencies. Now that the setting up of a satisfactory Payments Union may be considered a fact, the obvious thing to do would be to channel all contributions to and allocations from the E.I.F. in European currencies, through the E.P.U. In this way convertibility of the contributions could be achieved.

For this purpose the E.P.U. should open an account in the name of the E.I.F.

The accounts of Member countries should be debited with the amounts of their contributions while the E.I.F. account would be credited. In this manner the E.I.F. would obtain E.P.U. units. As in the case of the dollars it would seem undesirable for the Fund to pay out the E.P.U. units to the country concerned. Possibly the E.I.F. might, on production of documentary evidence, cede units through the E.P.U. to Member countries supplying goods on the basis of amounts made available by E.I.F. to other countries. Consequently, the E.I.F. account with the E.P.U. would be debited and the account of the supplying country credited.

III. Amount of the contributions to the European Integration Fund.

A. Contributions in dollars.

The sources from which dollar contributions might be acquired by the Fund have been indicated in paragraph II; i.e. foreign currency reserves of Member countries, "direct aid" allocations to Member countries and special contributions by the United States of America.

No large amounts can be expected from the first source.

The same applies to the second source as any important re-distribution of direct aid is out of the question.

However, as long as E.R.P. continues, it seems possible to ask Member countries for a yearly dollar contribution (1% for instance) of their direct aid allocations.

As regards a possible American contribution, it should be noted that, for the fiscal year 1950-51, this contribution would have to be made out of the \$ 600.000.000 made available to E.C.A. for integration purposes. As this amount has already been earmarked, to a considerable extent, for other purposes, no important contribution could be expected from it for the fiscal year 1950-51. However, a larger contribution from E.C.A. might be hoped for in 1951-52.

The dollar fund thus constituted would, in any case, be limited during the first year, and, therefore, no projects to be financed entirely in dollars could be undertaken.

A start could, however, be made by assisting the execution of investment projects requiring a lower percentage of dollar expenditure.

This would probable be acceptable since Member countries are at present able to use their direct aid allocations for the execution of 100% dollar projects. At the same time an attempt should be made to obtain direct American investments. Possibly the E.I.F. could act as an intermediary in this respect.

B. Contributions in European currencies.

Most of the contributions to the E.I.F. would, in any case, for the time being, have to be made in European currencies.

As already indicated in paragraph II, these amounts should be channeled through the E.P.U. This would involve consequences for the latter which would have to be taken into account when deciding the amount of the contributions.

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Payment of a contribution to the E.I.F. through the E.P.U. would mean a decrease in the surplus of an E.P.U. net creditor and an increase in the deficit of a net debtor. This result, as far as the contributing countries are concerned, might be influenced by supplies on the basis of allocations to other countries. In this connection three different cases could arise.

In the first place, beneficiaries of the E.I.F. might place orders with a country up to an amount equal to that country's contribution to the E.I.F.

In such a case the country in question, whether a net creditor or a net debtor, would be in the same position as regards its surplus deficit quota as if the E.I.F. did not exist. In this case the contribution to the E.I.F. would represent a gold-free grant.

A second possibility might be that the E.I.F. contribution would not be compensated in any way by the yield from supplies. In this case a distinction must be made between a net creditor and a net debtor. For the purpose of analysis, it is assumed that the net creditor and the net debtor have both exceeded their gold-free swing.

The payment of the contribution would thus represent a grant to the creditor of 50% gold and 50% in his own currency.

For the net debtor the payment of the contribution would represent a grant of which, if he finally exhausted his deficit quota, the gold percentage would approach the 100% mark.

The third possibility is over-compensation of the contribution by the yield from supplies. Here again a distinction must be made between a net debtor and a net creditor, once more assuming that in both cases the gold-free swing has been exceeded.

For a net debtor, this third case can only be considered favourable, because its gold-loss decreases.

A net creditor in this case would receive 50% of the surplus supply in gold and 50% credit.

Although, under special circumstances, it may therefore be possible that the working of the E.I.F. will make no difference as far as a country's position vis-à-vis E.P.U. is concerned, (see Case 1), it is also possible that the creation of the E.I.F. might result in bringing either a debtor (case 2), or a creditor (case 3), to an extreme position vis-à-vis the E.P.U.

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In connection with the above, it seems desirable to apply corrective measures to both sides.

It might be decided temporarily or, if necessary permanently, to refund, wholly or in part, the contribution of a debtor who, on account of an unfavourable balance between his contribution and his earnings from supplies paid for with allocations, had finally been brought to the limit of his deficit quota in the E.P.U.

Thus, a situation could be avoided in which a debtor, because of his participation in the E.I.F. would be forced to withdraw from E.P.U. or to re-introduce quantitative restrictions.

As regards a creditor whose contribution to the E.I.F. has been compensated by supplies and who has reached 75% of his E.P.U. quota or the so-called talking point, a decision could be taken whereby the use of E.I.F. funds in the country concerned would be wholly or partially prohibited. However, these corrective measures do not seem to be altogether sufficient. It would seem that still more could be done to overcome the above-mentioned difficulties without injuring the European Integration Fund.

It might be possible to fix monthly the contribution to the E.I.F. in European currency as a percentage of the part of each country's E.P.U. quota unexhausted at the end of the month.

This calculation should apply to net creditors as well as net debtors on the understanding that, in the case of a creditor, the unexhausted part of his surplus quota should be taken as a basis, while in the case of a debtor, the basis would be the unexhausted part of his deficit quota. In this manner, the burdens of the E.I.F. might be shifted from those countries having an extreme position in the E.P.U.

This would seem a more suitable method than taking an objective standard, such as the national income or the size of the population as a basis because the standard chosen takes direct account of the possibilities left open in the E.P.U., whereas the objective standard would undoubtedly lead in some cases to serious difficulties in the E.P.U.

It is obvious that the additional transactions which the working of the E.I.F. would entail, irrespective of the above-mentioned corrective measures, will tend to bring about a quicker and more complete exhaustion of the possibilities of financing transactions within the E.P.U. Consequently, when fixing the level of E.I.F. contribution, it will be necessary to take into account the credit possibilities existing within the E.P.U.

The above-mentioned percentage can, therefore, only be a modest one.

An additional factor is that most countries, although it will probably be possible to effect payment out of counterpart funds, cannot make large contributions on account of budgetary considerations.

A middle course will have to be found between the need for measures to further the liberalisation of trade and the necessity of taking the above-mentioned considerations into account.

In view of the above, it might be suggested to fix the monthly contribution for each country at 5/12% of the unexhausted part of its quota at the end of the month. (1)

Assuming that, after the first working year of E.P.U. the total of all surplus/deficit quotas would have been exhausted at regular intervals, up to a 100%, the total contribution to E.I.F. for that year, on the basis of the percentage decided upon, would amount to about \$ 100,000,000. The maximum contribution to E.I.F. on the basis of the percentage chosen, would amount to about \$ 200,000,000. In practice, the total contribution might perhaps be estimated, for the first year at around \$ 140,000,000. To this should be added the dollar contribution to E.I.F. which, for the first year, might perhaps be estimated at about \$ 40 million to \$ 50 million.

These amounts seem to be sufficient to liberalise some branches of industry in this first year, at the same time keeping the pressure on E.P.U. within reasonable limits.

It might be possible to raise a provisional contribution beforehand, the amount of which could be settled subsequently.

Finally, it may be desirable to fix the system for determining the contributions for a minimum period of two years. This would correspond with the two-year period which has also been laid down for the E.P.U. quotas.

IV. Refunding of contributions and liquidation of the E.I.F.

It may be expected that appeals to the E.I.F. will decrease as time goes on. Since, on the other hand, redemption payments will continue to flow into the Fund over a period of about 15 years, it may be possible that at some point the revenues of the Fund will exceed payments by the Fund. In that case a start might be made on the partial refund of contributions made by Member countries.

(1) See Appendix 1.

Such refund would have to take place on the basis of the amount which every country has coded to the E.I.F., sub-divided into dollars and amounts in European currencies.

Without prejudice to this possibility of refund, it should be stipulated that contributions must be made available à fonds perdu.

As far as the refund of European currencies is concerned, the amounts should be paid by the E.I.P. through E.P.U. to the countries concerned.

Insofar as certain countries might have left E.P.U. before refund begins, the following procedure might be followed.

If the reason for leaving the E.P.U. is that an extreme debtor position has been reached, it may be presumed, on the basis of the above, that the contribution made has already been refunded in full.

If a creditor country leaves the E.P.U., it might be decided that it renounces its possible claim to any refund.

There would, however, be no objection to the refund, on withdrawal from E.P.U., of amounts paid in dollars.

As E.P.U. will be concluded for an indefinite period and in any case until other methods are available to guarantee convertibility of European currencies, it may be taken for granted that even after discontinuance of E.P.U. there will be some possibility of refund.

It is recommended that the E.I.F. be constituted for the same period as the E.P.U.

APPENDIX I

Suppose a country A has a surplus/deficit quota in E.P.U. of \$ 360 million.

If, after the clearing, for instance, of the January transactions, its surplus with E.P.U. amounts to \$ 240 million, its contribution for January to the E.I.F. will be fixed at $5/12\%$ of \$ 360 million - \$ 240 million = $5/12\%$ of \$ 120 million = \$ 0.5 million. This contribution will be paid in February.

If its surplus at the end of February has decreased to nil, the contribution will be fixed at $5/12\%$ of \$ 360 million = \$ 1.5 million.

If, at the end of March, the country has developed a deficit amounting to \$ 360 million, the contribution for the month of March is nil.