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UNITED STATES OF AMERICA  
ECONOMIC COOPERATION ADMINISTRATION  
SPECIAL MISSION TO THE NETHERLANDS

American Embassy  
The Hague

November 29, 1949

His Excellency  
Ambassador H. M. Hirschfeld  
De Regeringscommissaris voor E.R.P.  
Ministerie van Buitenlandse Zaken  
Smidswater 2  
The Hague

Confidential.

Dear Mr. Ambassador:

Referring to our conversations with you relative to memorandum November 24th, I have received ECA-Washington comments upon the report cabled Washington Monday evening giving an outline of your proposal which was discussed with the Cabinet of the Netherlands Government on the 23rd.

The Dutch proposal is welcomed as a basis for discussion. General principles set forth are in line with ECA views but somewhat different technical arrangements may be suggested. It is the preliminary belief that your proposal does not provide for sufficient pressure on debtors to make internal and/or exchange rate adjustments to correct excessive deficits in balance of payments. Fear is expressed that the pool or fund would be quickly dissipated. How do you propose to enforce promises of debtors to undertake remedial monetary or exchange rate action?

ECA-Washington is impressed with your arguments as related to United Kingdom and pound balances. Moreover if other continental countries, which have close trading relationship with UK, hold the same view, trade and payments arrangements covering some countries might be more quickly adopted than more inclusive plan covering UK, Greece, Turkey and Austria.

However, the UK should not be considered as out entirely. There might be provision for variation in relationship of some countries to others in group such as an associate membership participating in clearing arrangements and in first and second category compensation but settling in 100% gold, dollars or conditional aid without privilege of drawing on central pool. This is merely an illustration and not an ECA proposal. Any grouping should be open to UK accession when, as and if possible and we should continue to seek UK support in promoting any plan. Your idea of a limited participation by smaller group of countries is better than an effort toward complete inclusiveness.

With regard/

B2, DBEM, dossier 6106  
Plan Petsche  
Gurley 1237

With regard to the wider problem of India, Pakistan and blocked sterling, this is a matter of greatest importance and far reaching consequences, extending beyond the requirements and economic results of a single internal market within Europe. This problem, as such, is of course related to Western European difficulties and we will continue our discussions of it with you as a separate but related matter.

Please regard all these comments as entirely confidential.

Yours very truly,



Clarence E. Hunter  
Chief of Mission

cc: ECA/Washington - Foster  
OSR/Paris - Harriman, Katz  
ECA/London - Kenney  
ECA/Brussels - Nuveen

CEH:emw