

Paris, 27th December, 1949

TFD/DL/1950/7

Or. Engl.

TRADE AND PAYMENTS ARRANGEMENTS

The attached summary is intended to bring out the main features of the schemes suggested by the Danish and the Dutch Delegations (documents TFD/DL/1950/5 and TP(49)61).

The present paper has been prepared with the same purpose and along the same lines as in document TFD/DL/1950/4, which gave a summary of the schemes suggested by E.C.A., the United Kingdom and the Secretariat.

*Min. Fin, Gen. The., A.B.B.
1260 (OEEC) docs 12*

Danish proposals

Ref. to
TP(49)61

Dutch proposals

Ref. to
TFD/DL/1950/5

I - MAJOR OBJECTIVES

1. A new payment scheme to be established prior to July 1, 1950, **providing for:**

(a) settlement of intra-European balances in such a way which will make possible freer multilateral trade,

(b) settlement of part of the intra-European disequilibrium by conversion into currencies spendable outside the participating countries.

2. Existing payments agreements not to be disturbed for the time being.

I-D

1. A multilateral payments scheme to be set up, which will make possible freer multilateral trade, whilst husbanding as far as possible present existing resources.

2. Existing payments agreements not to be disturbed for the time being.

Preamble

3

II - LIBERALISATION OF TRADE AND OTHER CURRENT TRANSACTIONS

1. Each participating country to draw up a plan for progressive liberalisation of trade.

IV

1. No specific reference in the Dutch paper.

Danish proposals

Ref. to
TP(49)61

Dutch proposals

Ref. to
TFD/DL/1950/5

III - PAYMENTS MECHANISM - GENERAL PRINCIPLES

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|---|------------------|--|--------|
| 1. A European Monetary Council to be established, with which each country would hold an account. | I.E.2
(a & d) | 1. A European Reserve Fund to be established, with which each country would hold an account. | 4 |
| 2. Membership to include all participating countries. | I.E.2
(a) | 2. No specific reference to membership. | |
| 3. Possibly a new European unit of amount to be established at a later date. | I.E.2
(b) | 3. No specific reference to a new unit of account. | |
| 4. The currencies of all members to be made freely transferable. | I.E.2
(b) | 4. Credit margins and drawing rights to be multilateralised. | 1 & 2 |
| The members to agree to buy and sell the currencies of the other members without limit to the credits extended. | | 4bis. No bilateral gold payments to be made. | 3 & 13 |
| 5. If the net position of a country with the Monetary Council exceeds a certain limit ("quota"), consultations to be held with a view to limiting disequilibrium (by bilateral capital transfers, temporary trade discrimination or adjustments of the rate of exchange). | I.E.2
(c) | 5. Where the credit margin is exceeded, further credit to be extended by or to the Fund. | 11 |
| | | 6. Whenever such further credits are extended, consultation to be held with a view to restore equilibrium. | 11 |

Danish proposals

Ref. to
TP(49)61

Dutch proposals

Ref. to
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IV - TRANSFERABILITY OF EUROPEAN CURRENCIES

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|---|--------------|--|--------|
| 1. All members to undertake to buy and sell the currencies of all other members | I.E.2
(b) | 1. Monthly positions to be calculated on a net basis. | 6 |
| 2. The currencies of all members to be mutually interchangeable without restrictions. | | 2. Swings to be financed by multilateral credit margin, <u>after</u> use of multilateral Drawing Rights (see under V A below). | |
| | | 3. Compensations on total balances to be carried out after operations mentioned under 1 and 2 above. | 9 & 10 |

V - SETTLEMENT OF NET CREDITORS AND DEBTOR POSITIONS

A - By the members' own means

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|---|--------------|
| 1. All current payments to be settled under bilateral arrangements without limit to the credits extended. | I.E.2
(b) |
| 2. A portion of the disequilibrium to be settled by conversion into dollars under the terms of bilateral or multilateral agreements between members, and according to principles laid down by the Monetary Council. | II-A |

A - By the members' own means

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| 1. Net surpluses and deficits to be covered up to 50% by multilateral credit margin. | 8 |
| 2. When the credit margin is exceeded, net creditors to be granted a claim on the Fund and net debtors to receive credit from the Fund (subject to their earmarking gold with the Fund, for an amount equivalent to 50% of such credit). | 11, 12
& 13 |

B - By dollar injections

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| 1. A certain amount of dollar aid to be assigned to "structural" creditors. |
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B - By dollar injections

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| 1. Net deficits to be covered up to 50% by multilateral drawing rights and net surpluses up to 50% by conditional aid. | 7 |
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VI - MANAGEMENT OF THE SYSTEM

No specific reference made in the Danish paper.

The Fund to be operated by the B.I.S., acting as Agent for the member countries. 5