

ANNEX III

CONFIDENTIAL

June 16, 1950

Dear Paul:

As you know, I have been in favor of a European Payments Union from the beginning. You will agree, I think, that my position, formally in the National Advisory Council and informally elsewhere, has been one of full support of the ideals which have led you to press for the project.

Moreover, I have taken this position because I believed that, properly handled, a European Payments Union could be an effective instrument of progress toward full currency convertibility, which, after all, will itself be a very powerful element in accomplishing the type of economic integration in which you and I believe. It was because of this conviction that I did not go along with those agencies which argued that the establishment of a European Payments Union was bound to result in the setting up of a soft-currency area which would actually represent a step backward from the goal of convertibility.

Let me say further that I welcomed the progress which was represented by getting agreement, with all that it involved in the way of mutual concessions, to a general framework with respect to the handling of sterling. At the same time, I counted confidently on an implementation of this framework in terms which would give a firm answer to those who feared that an insistence on including the United Kingdom in the payments union would result in a general softening of currency arrangements in Europe.

I have, however, just learned of the actual details of the proposed implementation; and I should be less than candid if I concealed from you my conviction that what is proposed is, in fact, a "soft" arrangement which would justify all the fears of those who opposed the payments union project from the beginning.

I am therefore appealing to you to consider very seriously a specific proposal which might still save the situation. The proposal is that the gold-free credit margin, instead of being 20 per cent of the quota, should be 10 per cent. This would leave intact all that you have accomplished in the way of agreement on general framework, and would not even require a change in the method of computing the quotas themselves.

Please believe that I make this proposal in all earnestness, as a genuine friend of E.C.A. and of the ideals for which you have made it stand.

Cordially yours,

(Signed) M. S. SZYM CZAK

M. S. Szymczak

Honorable Paul G. Hoffman  
Administrator  
Economic Cooperation Administration  
800 Connecticut Avenue, N. W.  
Washington, D. C.

CONFIDENTIAL