

## Dirk Stikker, Men of Responsibility

**Caption:** In his memoirs, Dirk Stikker, Netherlands Foreign Minister from 1948 to 1952, describes the creation of the European Payments Union by the 18 Member States of the OEEC in 1950.

**Source:** STIKKER, Dirk. Men of Responsibility, A Memoir. London: John Murray, 1966. p. 172-174.

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[...]

I began immediately on the consultations which were to lead in due course to the creation of the European Payments Union. Two half-hearted plans put into effect in 1949 had produced negligible results, and while the index of industrial production in OEEC countries had risen to about 110, compared to a 1938 base of 100, the index of the volume of intra-European trade was not more than 90 at this time. The perpetuation of this situation was likely to vitiate much of the beneficial effects of the Marshall Plan.

In its first year of operation American aid to Europe was mainly a shopping list. But for the second year studies had been made as to how European countries could change their patterns of trade in order to earn or to save more dollars. The entire concept of the Marshall Plan could only succeed if at the end of the program the dollar gap would have disappeared. In the second year of the program, therefore, incentives were given in the aid for arrangements making it possible to get along with less dollar aid in the future, so that exports to the United States and the reduction of imports from the United States were encouraged. This meant, however, that alternative sources of supply had to be developed. The effort to find these sources in intra-European trade was being blocked, however, by the lack of a multilateral paying system; bilateral arrangements were the basis of all trade.

My first visit was to Germany, which had become a full member of the OEEC in November, 1949, when the Adenauer Government took over from the Occupation authorities. I went as, I believe, the first minister of a non-occupying power to visit the Bonn Government. Traveling by car from The Hague, I was met at the German frontier with full honors and a motorcycle escort — “white mice,” as the Germans call them. These courtesies were reinforced by gay crowds in every village I passed on the way to Bonn, all waving me a warm welcome. I was deeply impressed — until I realized the date. It was Carnival, and the white mice were everywhere taken to be escorting Prince Carnival to the festivities.

My friendship with Adenauer dates from that day of my arrival in Bonn. The doughty Chancellor, then beginning his administration of Germany at the age of seventy-three, was strongly in favor of European integration, and thus of a European Payments Union. Erhard, equally in favor, emphasized already at that early stage that we should be careful not to limit the multilateralization of payments to Europe alone, and should always bear in mind that it would be wrong to put Western Europe on the path of autarky. Erhard viewed the European Payments Union as a good first step, but insisted on the opening up of world trade as the only solution to the problem of creating a better and less dangerous world.

Although we were due, at the outset of the EPU, to have difficulties with Germany, which liberalized its imports too soon and immediately ran a large deficit, I was never deeply concerned about the ultimate German position, provided the Adenauer Government could continue its reconstruction of the country along the lines of common sense and stability it was following. Occasionally a neighbor can be helpful in these matters, however. When the Germans later had run up a sizable deficit in the EPU and balked at taking the necessary measures to restrict their imports, a story, attributed to “a high source,” appeared in the Dutch press noting the remarkable similarity between this policy and that of Hjalmar Schacht in the 1930’s. The comparison was deeply resented in Bonn, but the necessary measures were adopted.

The political instability of France was a source of concern, but the country which was really a potentially intrinsic danger for the European Payments Union was England. There was the question of whether the projected drawing rights in the EPU could be used, not only for the settlement of European trade transactions, but also, for example, to finance the redemption of war debts incurred by the United Kingdom in India or Egypt. I discussed this aspect of the arrangements several times with my own advisors, with the President of The Netherlands Bank and later with Gaitskell, who was then British Minister of State for Economic Affairs. As a matter of fact, the British devaluation of the pound by 30 per cent in September, 1949 (followed to the full by several other countries, including — against my advice at the time that 30 per cent went too far — the Netherlands) had in a way helped in the creation of the EPU. Nevertheless, I found later that my views were shared by Harriman, who had his own discussions for the ECA and who

subsequently reported that, “The most difficult question was the relation of the United Kingdom and the entire sterling area to the EPU. There was a tough discussion with the British on this, but when Cripps came through, it was all the way.”

The European Payments Union went into operation on July 1, 1950. The techniques involved in the operation of the EPU were highly complex and exemplified the best of European economic thought and inventiveness. The most astonishing thing about the EPU was that once it was agreed upon it really worked. Whereas the index of intra-European trade for 1949 stood at about 90, the continuing liberalization of trade from quotas, begun in the OEEC, together with only six months of operation of the EPU, from July to December, 1950, brought the index at the end of 1950 to 140. This truly amazing achievement laid the basis for all future planning.

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