THE LONG TERM PROGRAMME

Memorandum adopted by the Council at its 30th Meeting on 4th August, 1948

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1. The preparation of the long term programme to enable Europe to be once again capable of sustaining a reasonable level of economic activity without extraordinary outside assistance is the most important task the Organisation has to undertake. It will not be easy for the different European countries to achieve by 1955/56 an equilibrium in their external financial relations and yet maintain a reasonable standard of living. They will certainly not secure this unless in many cases there are profound changes in production, in imports, and in the volume and nature of exports. In other words the result sought for in 1955 can be obtained only by such serious national efforts as will produce substantial structural changes in the economies of the countries working to obtain that result. These efforts will be stimulated by wholehearted European Co-operation, and indeed without such co-operation structural changes of the extent made necessary by the present position of the participating countries could not be obtained.

2. The long term programme will form in outline the plan of action for the participating countries as a whole, showing the magnitude of the tasks which must be done to reach viability, and the nature of the most important of them. To draw up such a plan is the essential first step in organizing the work to be done by the Countries concerned, individually and collectively, to extricate themselves from their present difficulties. It should also be remembered that the E.C.A. have asked to receive this plan by the 16th November, in order to prepare the case for the Second Appropriation.

INFORMATION ON NATIONAL FORECASTS AND POLICIES

3. Having regard both to the difficulty of economic forecasting and to the uncertainty which must attend developments in the rest of the world, it is most improbable that any detailed forecasts will turn out to be correct. The general objective can be defined clearly since we know already there is a gap to be covered. But neither the exact steps to be taken, nor the standard of living to be attained, can be laid down precisely; these uncertainties make flexibility in planning essential. It is proposed therefore that the information from participating countries should be supplied both in written and statistical forms. In the first place each country is asked to return a general statement showing the main lines on which it intends to proceed in order to attain viability in 1955/56, and indicating also how it expects its own economy to fit into the pattern of a viable European economy.

4. Secondly, each country is asked to provide in statistical form general indications of the levels of production and consumption in selected fields of activity and also a forecast balance of payments for 1955/56. This statistical information, which should of course be related to the general statement, will serve both as an illustration and as a check of the general plans; it should assist in the identification of the particular problems of most importance upon which immediate action should be taken. But the statistical information will be in very general terms
and the working data needed for the formulation of precise plans will still have to be collected by the Working Committees or other bodies to whom the implementation of particular plans for co-operative action will be entrusted.

6. In order to provide a common background for the consideration of these questions by the Governments, a general survey of the European problem has been prepared. This is attached as Annex A. The questions to be answered are set out and explained in Annex B.

INFORMATION ON CONDITIONS IN THE REST OF THE WORLD

6. It has already been remarked that the conditions of production and trade in the outside world will be of great importance to European recovery. Except to a limited extent information on this matter cannot readily be supplied by the participating countries and it is therefore proposed that arrangements should be put in hand as soon as possible to obtain the best available information about the economic outlook in the other main economic regions of the world. It is intended that this should be done by consulting Governments, international institutions and individuals. In particular it is hoped that the E.C.A. will be able to assist by providing information, from the competent authorities, on probable developments in the United States.

THE CONSTRUCTION OF THE LONG-TERM PROGRAMME

7. From the replies submitted by the participating countries it should be possible to judge how far the actions already being planned or undertaken would lead to a viable European economy in 1950/51. Moreover, it should be possible to paint a composite picture of a viable European economy at that time.

8. It should then be possible to see in which fields of activity action already being planned is inadequate, and to direct the appropriate Technical Committees to study, and make the necessary recommendations to it. It is at this stage that the maximum degree of co-operation will be needed. It will almost certainly be necessary to recommend that participating countries modify and expand their existing plans of production in order to take account of the needs of the participating countries as a whole and it may also be necessary to recommend that they should contract their plans of expansion in certain fields of production where it appears that their efforts could, in the interests of the participants as a whole, be more usefully directed into other fields. Without very great goodwill on all sides in this co-operative effort the necessary adjustments will not become possible. The first stage of this co-operative effort must be completed by the 15th November when the report is presented to H.C.A. but there will be need for continual adjustment...modification and expansion of national plans in order to meet the needs of the group as a whole over a period which will extend far beyond that date.

9. It is considered that there are some main fields of activity in which action should be taken by participating countries forthwith. It is felt that such action will contribute considerably to the establishment of a long term programme and that it will be most unwise to wait until further agreement on the long term programme has been reached. It is therefore intended to instruct the Technical Committees immediately to study and make suggestions as to the national and co-ordinated action that should be taken to meet the global requirements of the participating countries, examined in the light of individual possibilities and necessities of production and
exchange. It is proposed to give the necessary detailed instructions to the Technical Committees without delay.

PROCEDURE

10. It is necessary to devise now the procedure to direct the work from the time the replies are received from the participating countries until the preparation of the report. This work will require expert ability. But if the results are to lead to action, it is clear that policy decisions of great importance will be required from participating countries while the programme is actually taking shape. There will therefore have to be continuous consultation with the representatives of the countries concerned. It is suggested that the general supervision of the work should be carried out by a small Working Party of experts nominated by national delegations and that this Working Party should be closely associated with, and assisted by, a Committee on which all participating countries are represented. This might be one of the existing Horizontal Committees. The Working Party should be free to consult and call on the services of the National Delegations, of the Technical Committees, of International Organisations, and of independent experts. Detailed terms of reference for the Working Party and instructions covering the relations with the Horizontal Committee will be issued at a later stage.

TIME TABLE

11. The immense tasks to be completed and the short time available, make rapid action essential in the interests of the participating countries. Moreover, as already mentioned, the Economic Co-operation Administrator has asked that the programme be in his hands by 15th November. Only if this data is adhered to can the second authorisation and appropriation be prepared in time. In order to enable the Organisation to meet this date, replies should reach Paris on 1st October.

12. In order that as far as possible there may be conformity between the various national replies and that there may be opportunity for the consideration of plans for co-operation between two or more countries; it is recommended there should be consultation between the participating countries in preparing their replies. Further there will still be a very heavy volume of work to be done in Paris after receipt of the replies and it is therefore essential that all replies reach the Organisation on the 1st October.
ANNEX A

GENERAL OUTLINE OF THE RECONSTRUCTION PROBLEM

1-Changes in the European economic situation since before the war.

1. In 1947 visible European trade with non-European countries showed a deficit at current prices of $5.3 billion dollars. Net invisibles resulted in an outflow of about $0.6 billion dollars but this amount arose mainly because of freight payments on relief shipments, and can therefore be treated as abnormal. Thus the figure of $4.7 billion dollars gives a rough indication of the deterioration of Europe's position since 1938 and of the gap to be bridged to reach viability at the standard of living and economic activity which the 1938 level of imports would allow.

2. At 1938 prices, this total European deficit would have been $3.8 billion dollars. Before the war, invisible earnings were about $1.4 billion dollars and net income from shipping and other items about $0.7 billion, a total of $2.1 billion dollars. In 1947 income from investments was only $0.6 billion dollars and on all other invisible items there was a deficit of $0.4 billion dollars. The loss of invisible earnings since 1938 was therefore $0.7 billion dollars. This loss is the first reason for the 1947 deficit.

3. Secondly, at 1938 prices imports in 1947 were about $0.4 billion dollars higher and exports about $0.8 billion dollars lower than the levels of pre-war trade.

4. Thirdly, there is the effect of price changes. For the countries as a whole, the general increase in prices automatically increased the size of the visible deficit measured in money terms. The effect of price increases accounted for the remaining $2.6 billion dollars.

5. To sum up, the deterioration compared with the pre-war pattern was as follows:

<table>
<thead>
<tr>
<th>Million dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of investment income from non-European areas</td>
</tr>
<tr>
<td>Loss of net income from shipping, etc.</td>
</tr>
<tr>
<td>Increased imports (1938 prices)</td>
</tr>
<tr>
<td>Reduced exports (1938 prices)</td>
</tr>
<tr>
<td>Effect of price increases on deficit</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

A convenient approach to the problem of restoring viability is to consider the prospects of returning to the 1938 situation in respect of these items. To the extent that this seems unlikely, it will be necessary to consider what compensating changes can be made to offset the losses. The following paragraphs do this.

(\#) Note: In paragraphs 1 to 14 of this paper the statistical information is derived from the report of the B.N.B. entitled "A survey of the Economic Situation and Prospects of Europe". Therefore throughout that section the words Europe and European have the geographical sense attached to them in that document.
II. The prospects of returning to the pre-war situation

6. There is little to be said about the loss of income from investments; foreign investments will not be re-established within the time relevant to the present problem, though it is possible that the yield on the remaining investments will somewhat improve. On the other hand, the burden of interest and amortization of debt will increase to an extent which it is still impossible to assess.

7. It has already been mentioned that the European balance of payments at present shows a net outlay for shipping and other services, and that this is partly explained by temporary and extraordinary circumstances. By sustained efforts it should be possible for Europe to re-establish a net income from shipping. It should also be possible to get increased income from tourist traffic. It seems unwise, however, to assume that net income from shipping, tourism, etc., within the next four years will do more than offset the increasing outlay for interest and repayment of debt.

8. The increase of imports by some 400 million dollars (at 1938 prices) above pre-war levels is partly explained by relief and reconstruction needs of a temporary character. If financial stability is restored, production increased to its pre-war volume and intra-European trade reorganized, it is probable that these "normal" imports will disappear. On this assumption we could examine European import needs on the basis of the pre-war pattern. European imports of a "normal" character (excluding German imports) are slightly below normal imports before the war but show important changes in their general structure: oil imports have increased while, for example, imports of all food stuffs (except bread grains and sugar) have decreased.

9. As regards cereals, the first step must be the re-establishment of pre-war levels of production and even, in some cases, an improvement on them; even when these are reached, Europe's increasing population would require increased imports. Thus if food imports as a whole are not to be an added burden on the European economy, increased import of cereals will have to be offset by reduced imports of other agricultural products. Oil at present shows an increase of 175 million dollars and some part of this increase will have to be maintained if full use is to be made of industrial capacity now based on oil.

10. It follows that unless there is a major change in the structure of the European economy, resulting from an increase in the production of food stuffs and raw materials in the participating countries and their overseas territories, the volume of imports is likely to remain higher than before the war.

11. The decrease in the volume of exports to the Western Hemisphere is due to a number of factors in addition to the low level of European production. Increased American productivity has in some cases made access to the U.S. market more difficult. The inflationary developments in many European countries have led to increased demand by the home market for exportable goods. Moreover, even goods which are available for export are being attracted from possible dollar markets to markets in other countries suffering from inflation. Thus in some respects the problem of re-establishing exports is fundamentally the same as that of returning to the pre-war volume of imports: the solution to both can be found only by the restoration of European production, of sound financial conditions and of greater freedom of trade in Europe.

12. But even if these conditions were established, it can hardly be expected that European commodities of pre-war types can be sold to the U.S. to the same extent as before the war; new lines of production and exports will have to be found. There is
of the possibility of exporting to non-European markets other than the U.S. Such markets are likely to offer much greater outlets for a European export drive, but in many cases they will not have a surplus with the U.S.A.; and unless there is a considerable export of American capital to them they will not be able to pay in dollars for a considerable import surplus from Europe and thus help the European countries to settle their accounts with the U.S.A.

13. There remains the question of prices, which accounts for about half the current deficit. Although it may be considered certain that there will be some reduction in the prices Europe has to pay for its imports, it is not practicable to make any estimate of the magnitude of any such reduction. Moreover it is probable that there will also have to be some reduction in the prices of European exports. The changes are less likely to come through improvement in the terms of trade which indeed may well deteriorate, than through a general reduction of prices. So long as Europe is not balancing its current payments, an all round reduction in prices would considerably reduce the current deficit as measured in money.

III. Trade and Payments Patterns

14. Before turning to the question of what is required and what may be done in order to compensate the consequences of the changes from the pre-war pattern, the picture of the present situation should be completed by a few words concerning intra-European trade and payments. The pre-war pattern of intra-European trade had, as its salient features, the position of the United Kingdom and other non-Continental Europe with a trade deficit with the rest of Europe which in 1930 amounted to 352 million dollars; and the opposite position of Germany with a credit balance with the rest of Europe of 320 million dollars. The United Kingdom deficit was paid out of net incomes from non-European sources, thus indirectly providing the rest of Europe with a considerable part of its requirements for covering deficits with non-European countries. Owing to Germany's surplus position with Europe, a part of the exchange earned by other European countries from exports to the United Kingdom was used for the settlement of their deficits with Germany which in turn used that exchange to pay for its large volume of imports from outside Europe.

15. The pattern just described had broken down. There will clearly be fewer facilities for European countries to settle their debts with the dollar world through surpluses earned from other European countries, as sterling was the principal medium for such transfers in pre-war days is no longer freely convertible into dollars. Moreover it is likely that the dollar surpluses from the exports of participating countries will not be sufficient to replace the former facilities provided by sterling. The re-establishment of intra-European trade therefore will call for very far reaching structural changes in the terms of that trade and intra-European commercial payments will have to be brought closer to a mutual multilateral balance. On this point the intra-European structural trade problem is linked up with the changes of Europe's global balance of payments with the rest of the world mentioned in the previous paragraphs.

IV. Restatement of the problem

16. By the loss of overseas investments the European economy has been deprived of the financial backing of its trade with the rest of the world. This loss, which in pre-war terms has been estimated at rather more than 2 billion dollars, has been accompanied by other changes, acting in the same direction. It has produced an irrevocable deterioration in the economic situation of Europe as a whole, and will call for a readjustment of the European economy, to an extent perhaps not so far sufficiently appreciated. As
the other unfavourable changes which have already been considered can only partly be eliminated, the loss of income from foreign investments must be considered a minimum measure of this irreparable deterioration. For reasons already explained in pars 13 and 14 it is not sufficient to judge the consequences of this loss only from the point of view of the European economy as a whole; the invisible income from overseas investments moulded the pattern of intra-European payments and its disappearance, therefore, must lead to a complete reshaping of that pattern.

V. Measures necessary to compensate for the deterioration of the European position.

17. The many uncertainties which surround future market developments make it difficult to indicate in any detail the direction of the structural changes called for. Generally speaking it is obvious that the necessary compensating changes have to be based on a considerable increase of production in the participating countries and their overseas territories based on increased productivity and a more intensive use of the resources at their command. Only by an increase of production on a large enough scale will it be possible to reduce imports and increase exports - or both - while maintaining or improving European standards of living. The increased production which must be the basis of the re-shaping of the European economy should be directed primarily to the production of ‘dollar-earning’ and ‘dollar-saving’ commodities, but without frustrating efforts to increase domestic productivity in those less developed areas, where this is of very great long term importance. The maximum possible effect of the increased production will only be obtained if each individual country is willing to take into account the economic needs of the group as a whole when planning its production. Moreover the distribution of this production in trade must be so devised as to contribute to the restoration of the equilibriums of the group as a whole.

18. The increase in production will be of a different character in different participating countries. Some countries with a favourable competitive position should specialise in fields where increased production might open possibilities of greater exports mainly to the U.S. market etc. Other countries, with raw material resources and productive capacity, naturally limiting their field of action to European markets, should specialise on increased production of dollar saving commodities for the supply of these markets. The classical division of labour in Europe, based on relative costs etc., should thus be given full play when deciding on the direction in which the reconstruction activities should be guided, so that countries in a position to achieve an export surplus to non-European markets should try to establish such a surplus and should open their own market for products from countries which have to specialise on production for the European markets while maintaining a deficit in relation to non-European markets. In this way a maximum productivity of the European countries as a whole would be realised and the extra-European payments would be balanced globally but with important differences as between various countries, some countries having a more or less permanent dollar surplus, others a more or less permanent dollar deficit. Thus European Co-operation in the devising of the production programmes will find its expression in financial terms in a revised pattern of European payments.

19. The development outside the dollar area and outside the metropolitan territory of the participating countries, of new sources of supply of foodstuffs and raw materials and the increase in the productivity of existing sources is of very particular importance. To some extent, in the overseas territories, particularly those in Africa, the participating countries can make a direct contribution,
and action here is of great importance. But also in other parts of the world, such as Latin America, the British Commonwealth and Eastern Europe, there are possibilities of increasing production of raw materials and foodstuffs which at present cost dollars. Provided that the participants as a whole can at least balance their payments with these areas while at the same time buying from them increased quantities of these foodstuffs and raw materials, there is a clear contribution to the dollar problem. Further, if these areas can develop their exports of raw materials to the U.S.A., the payments to the participating countries could be made in dollars.

20. There are considerable surpluses of manpower today in several participating countries where they cannot be fully employed owing to lack of material resources and capital. Some redistribution of these existing surpluses will be necessary in order to make possible the structural changes which have been envisaged in the foregoing paragraphs.

21. Developments of this nature whether in Europe or elsewhere in the non-dollar world have a double effect. One main part of Europe's problem arises from the increased cost of raw materials as compared with manufactured goods. Only an increase in the supply of foodstuffs and raw materials can reduce the price of these products relatively to the price of manufactured goods. If that does occur, not only will Europe be able to buy these goods from non-dollar sources, but the price of dollar foodstuffs and raw materials will be reduced.

22. European viability depends not only on European efforts. It cannot but be affected by the policies which will be pursued in the rest of the world particularly in the U.S.A. Moreover it will not be possible to increase the production of raw materials and foodstuffs in underdeveloped areas without considerable investment of capital and particularly of risk capital. To the extent that capital from the U.S.A. is available for this purpose the restoration of general equilibrium will be facilitated, since it would limit and perhaps eliminate the need to solve the dollar problem by imposing on European trade a straitjacket of modified bilateralism. This is a matter of serious import for the future of European economy. But we do not know whether such capital movements will take place or whether existing ones will be expanded, and it would be unwise to rely, a priori on them for the solution of the European problem.

23. Further, unless internal equilibrium is re-established within the various participating countries, increased production, whether in Europe or elsewhere, will not enable the participating countries to balance their external accounts either with the rest of the world as a whole or with the dollar area. The internal price structure must be such as to encourage, not discourage, exports, in particular...exports to the dollar area; the internal monetary policy must be such as to encourage and make possible the necessary volume of saving in both the public and private sphere which can make possible the necessary investment programmes. Finally in so far as productivity is the basis on which greater production is to be obtained, internal policy must be directed to encourage, not discourage, that increased productivity.

VI. Summary

24. The restoration of European viability will call for a major productive effort both in Europe and the overseas territories to increase the production of dollar-earning and dollar-saving commodities. A very large degree of co-operation...
in all fields, including that of manpower, will be needed if this productive effort is to have the maximum effect. Structural changes both in the structure of production and in the pattern of intra-European trade will be necessary.

26. The development of additional sources of supply of raw materials and foodstuffs, whether in Europe, the overseas territories, or the rest of the non-dollar world, is particularly important. Such new sources of supply will not only enable the participants to save or earn dollars; but also, by redressing the present balance between the prices of raw materials and foodstuffs on the one hand and manufactured goods on the other, will reduce the burden of such purchases from the dollar area as cannot be eliminated.

26. Unless general policies are adopted which will re-establish internal equilibrium in the various participating countries, increased production will not enable them to balance their external accounts.
ANNEX B

INFORMATION ON NATIONAL FORECASTS AND POLICIES

GENERAL QUESTION

1. A joint recovery programme for Europe, designed to achieve as soon as possible and to maintain a satisfactory level of economic activity without extraordinary outside assistance, must be based on information supplied by the participating countries.

2. In general terms, participating countries are requested to explain their conception of the general lines along which they intend to go in order to achieve viability in 1952/53, and how they anticipate the economy of their countries can be fitted into the pattern of a viable European economy. The background to the consideration of this problem is contained in Annex A, and participating countries may wish to give their views on the general problem outlined in that Annex and their conclusions concerning the general policy they consider most appropriate to deal with the problem.

3. Information in reply to so general a question as that posed in paragraph 2 above is not easy to provide. Some countries may find it easier to set out their ideas in memoranda, some will find it easier to show their implications in statistical form. These two methods are essentially complementary. Information is asked for in both forms, and participating countries are asked to provide their answer in both.

MEMORANDA

4. Memoranda submitted by participating countries in response to the problem set out in paragraph 2 above should, so far as possible, deal with the following points:

   a) What important plans of action in the field of production do you have either in Metropolitan or overseas dependent territories in order to achieve viability? To what extent are these production developments intended to replace imports at present being bought from dollar sources, or to export to other participating countries in substitution for imports at present being bought by them in dollars, or to export to other areas to pay for imports in replacement of imports at present being bought for dollars, or to export to dollar markets? How far are these production plans a continuation of the existing national economic structure, how far do they involve substantial changes in that economic structure? (Participating countries who, in their estimates of national income, consumption, investment and government expenditure in 1952/53, may care to supply them.)

   b) What additional potentialities exist, beyond those already planned, either in Metropolitan or overseas dependent territories, for further development of the production of raw materials, foodstuffs or manufactured goods which would be of importance as “dollar-earners” or “dollar-savers”? What would be the probable cost of such developments, both in financial and physical terms, and how quickly could results be expected if the necessary financial and physical resources were
5. In addition, participating countries are requested to submit supplementary memoranda covering the following points:

a) To what extent is it anticipated that invisible items will assist in achieving external balance, both with the dollar area and overall, to what extent is it anticipated that these items will be a net burden? In particular, what contribution is expected from shipping and tourism? Countries should take into account income from both new and old investments in overseas territories.

b) What will be the effect of this production effort on the pattern of international trade? How far will it imply a continuation or restoration of the pre-war pattern of imports and exports, how far does it imply a change in that pattern? In so far as the production effort is designed to increase exports how far will these exports depend on market conditions in (i) the dollar area, (ii) the participating countries (iii) other parts of the world? How far do you anticipate that price changes will be necessary in order to obtain the volume of exports proposed? How far do you anticipate that an enlarged market will enable export prices to be reduced?

c) What are the investment plans to achieve this production effort? How far is external assistance needed to finance these investment plans? Is this external assistance needed to buy equipment or to finance the general import programmes?

d) What labour policies including policies for immigration and migration are envisaged both to facilitate redistribution of labour within Europe in order to make possible these production plans, and also to make possible the development of overseas territories?

e) What general policies are envisaged in order to achieve these production investment and export plans? In particular, participating countries are requested to give all possible indications of the plans of action concerning internal financial stability, fiscal policy, policy for providing the volume of savings required to finance the investments both in the public and private spheres, policy for increasing productivity, policy for ensuring the essential development of production and the increases in exports, particularly to the desired markets. To what extent do participating countries consider that the domestic policy envisaged will enable them to eliminate existing restrictions on trade and payments.

**PRODUCTION STATISTICS**

6. In order to show the general level of production and consumption which is anticipated in 1950/51 participating countries are requested to complete the form at Table I. The purpose of this form is not to provide a basis for planning on a European scale. That would require the collection of a large amount of information by the Vertical Committees in respect of the various "fields of activity". This table is intended to give a very summary picture of the general level of activity in the European economy.
7. In addition to the general memorandum requested in paragraph 6 participating countries are invited to produce a forecast of their balance of payments for 1952/53. This would be designed by using the minimum number of statistics, to illustrate the external financial implications of the plans outlined in these memoranda, and thus to set 1952/53 in its right perspective. Forms on which the Balance of Payments should be set out are attached as Tables II, III and IV.

8. In compiling these tables, countries should follow the principles set out below. These principles are not intended to preclude the solution of the "dollar problem", nor are they intended to put trade into a straightjacket of modified bilateralism. But they will provide a common background for the completion of the forms.

a) The tables should show a zero balance on current account with the rest of the world as a whole. If a participating country considers that the plans of action set out in the memoranda annexed for in paragraphs 4 and 5 will not produce the equilibrium shown in the table, either because it anticipates that it can only reach equilibrium by being able to earn dollars by trading with the rest of the world to an extent precluded by sub-paragraphs (b) and (c) below, or because it anticipates a need for capital imports beyond that date, it should indicate by the appropriate figures to what extent the balance shown in the table is not likely to result from these plans. It is further invited to explain the implications for its economy if it has no choice but to balance its external accounts without external assistance in 1952/53, and/or what international developments would enable it to balance its external account without such change in its internal economy.

b) It is impossible to tell to what extent, if any, capital movements will take place to finance the potential export surplus of the U.S.A. For the purpose of compiling these tables it should be assumed that the non-dollar area will be short of dollars in 1952/53 and that a surplus earned by any country with the non-dollar area as a whole will not easily be convertible into dollars. It is therefore essential to plan for the largest possible net dollar surplus; in particular, those countries who anticipate a deficit with the non-dollar area, including the participating countries; should plan for such a surplus. Countries who are unable to show a surplus of dollars should aim either at equilibrium or at the smallest dollar deficit practicable.

c) It is difficult to foresee the extent to which participating countries will be net earners of dollars, but it is likely that the total of net dollar earnings will not be large. In particular, as indicated in paragraph 14 of Annex 4 it is unlikely that the Sterling Area as a whole will be able to cover in dollars a deficit with the participating countries as a whole. Hence, although minor variations from equilibrium of individual participating countries with all the other participating countries or the Sterling Area are probable, a country should not without strong reason show either a surplus or a deficit with either of those areas.

d) Wherever a considerable surplus with the participating countries with the Sterling Area as a whole, with Latin America, or with the rest of the world,
is anticipated, and is regarded as balancing a dollar deficit, a special memorandum should be submitted justifying this as reasonable in the light of the peculiar circumstances of the country making the return, since the probable financial situation of these areas alluded to in (b) and (c) above must always be borne carefully in mind.

9. There is necessarily great difficulty in forecasting at this time the levels of imports and exports to Western Germany. All participating countries except the Ruhr and the French Zone of Germany are therefore requested to complete a separate table showing their estimated balance of payments with the Eastern Zones. They are also invited to submit a separate memorandum on any particular points in their trade with Germany on which there is special difficulty. The form on which to set out this balance of payments is at Table V in Appendix I to this Annex.

10. In view of the particular importance of trade with Eastern Europe for several of the participants, all countries expecting to have any considerable volume either of imports or exports with Eastern Europe are asked to complete a summary Balance of Payments with that area on the form in Table VI in Appendix I to this Annex. Where it is possible to give greater detail of the commodities expected to be imported or exported than is provided in the table, this should be shown in a separate attached table.

11. Detailed instructions for the completion of Tables I-VI, and pro forma tables, are attached at Appendix I to this Annex. Printed forms will be issued to national delegates as soon as possible.