

March 20, 1954

Text of Draft Prepared by Swatland

Agreement dated April _____, 1954, between the Government of the United States of America and the High Authority of the European Coal and Steel Community established by Treaty dated April 18, 1951.

Whereas the Community was created with supranational powers in order to establish a common basis for economic development in Europe and, thereby, to establish a foundation for the unification of Europe; and

Whereas the Congress of the United States of America has declared that unification in Europe is essential to the welfare and security of the United States of America and of the free world generally and has recognized the Community as a concrete step to that end; and

Whereas, in order to insure the success of the common market under the jurisdiction of the Community, and by so doing not only to accomplish the immediate economic purposes of the Community but also to contribute to the attainment of the ultimate objective that inspired its formation, it is necessary to improve the production of the Community and, for this purpose, to increase the capital resources accessible to the enterprises of the Community; and

Whereas this need will be urgent in the early years of the common market in connection with the modernization and development of the natural resources of the Community; and

Whereas the High Authority deems it necessary at this time to obtain credits outside the Community to assist in making investments for the modernization and development of the natural resources of the Community; such credits to be used in such manner as will also contribute to the revival of the capital markets of Europe; and

Whereas the Government of the United States of America has determined that it would foster European integration in a tangible and useful way for the United States to support the Community in attaining its objectives and to that end to provide, on a loan basis, funds to be used for the purpose aforesaid; and

Whereas negotiations are continuing with a view to determining the scope and conditions of the loans to be made; and

Whereas as a first step the Government of the United States has agreed to lend to the High Authority prior to December 31, 1954, on the terms and conditions hereinafter set forth, amounts equivalent in the aggregate to \$100 million;

Now, Therefore, it is agreed as follows:

Article I

The authorized amount of the Loan shall be placed at the disposal of the High Authority in the United States dollars or the equivalent thereof (computed at the official rate for the exchange of dollars for other currencies at the date of the advance, as notified to the International Monetary Fund) in currencies of one or more of the member countries, as determined by the Government of the United

States in consultation with the High Authority. The Government of the United States will insure that any currencies advanced shall be transferable among the member countries as required by the High Authority. The High Authority, on its part, before transferring any amounts of the Loan to another currency, will make the necessary arrangements with the Government of the member country involved to insure the retransfer of such amount as necessary for the service of the Loan.

In the case of each advance, the High Authority shall give to the Government of the United States at least 30 days notice specifying the date, prior to December 31, 1954, on which it desires to receive such advance, the amount thereof and the currency or currencies in which the High Authority would desire to receive the advance, if available. Each advance shall be put at the disposal of the High Authority by payment for its account, in the case of amounts in United States dollars, to the Chase National Bank of the City of New York, and, in the case of amounts in other currencies, to the Central Banks of the respective countries.

Article II

The High Authority shall pay interest at the rate of ___% per annum on the principal amounts advanced as provided in Article I from the dates of such advances until such principal amounts shall be paid. Interest for 1954

shall be computed on the basis of the actual number of days outstanding (using a 365 day factor) on the amounts outstanding on December 31, 1954, and shall be paid on January 1, 1955. For 1955 and each year thereafter, annual instalments of principal repayments and interest shall be made on each January 1, commencing January 1, 1956. Each such instalment shall be equal to ___% of the principal amount of the advances in each currency outstanding January 1, 1955, except that the ___th (final) instalment shall be for the remaining balance. On January 1, 1956, or on any subsequent January 1 the High Authority, in addition to paying the instalment then due, shall have the option to prepay any part of the balance of the Loan with appropriate adjustment in the next following annuity or annuities.

All such payments shall be made in currencies (corresponding to currencies in which the advances were made) which at the time of payment shall be legal tender for public and private debts in the particular country. Such payments shall be made, in the case of payments in United States dollars, at the Federal Reserve Bank of New York, and in the case of payments in other currencies at the Central Banks of the respective countries.

Article III

The High Authority will use the proceeds of the Loan for the purpose of granting loans to assist in financing investment projects initiated by the enterprises themselves

and approved by the High Authority as urgently required for modernizing and developing the production of primary raw materials in the Community, such investment projects being principally comprehended within the following categories:

- (1) modernizing and mechanizing mining operations and expanding capacity for the production of coal; and providing additional housing for miners;
- (2) modernizing existing power stations and constructing new stations at the pit heads to permit the use of low grade coal in providing low-cost energy for the coal mining operations and for sale;
- (3) modernizing operations and expanding the capacity for the production of coke; and
- (4) modernizing and mechanizing mining operations and expanding capacity for the production of iron ore; modernizing facilities for the treatment of iron ore.

Article IV

The High Authority hereby covenants as follows:

- (1) All obligations of the High Authority hereunder shall constitute general obligations of the High Authority, which pledges its full faith and credit for the due and punctual payment of the interest on and the principal of

the Loan as herein provided and the due and punctual performance of all the terms and conditions hereof.

(2) So long as any part of the Loan shall be outstanding, the High Authority will maintain levies, as provided in the Treaty, on the production of coal and steel by the enterprises under the jurisdiction of the Community sufficient to provide, in addition to any other payments to be made therefrom, for any portion of the service of the Loan which cannot be covered by the receipts from the loans granted by the High Authority under Article III or from its other funds. The High Authority will collect such levies and will, to the extent required, apply them to the payment of the service of the Loan.

(3) The High Authority will retain in a separate portfolio (at all times free of any mortgage, pledge, charge or priority, except as provided in Article V) all evidences of indebtedness and related instruments of security received by it in connection with loans granted by it under Article III.

(4) So long as any part of the Loan shall be outstanding, the High Authority will not, without the prior consent of the Government of the United States of America, cause or permit to be created any mortgage, pledge or other charge or priority on any property or assets, or on any revenues or receipts, of the High Authority or others, unless the Loan shall be secured thereby equally and ratably with such other debt or guaranty. The provisions of this clause (4) are not intended to restrict the right of

individual enterprises to incur indebtedness, secured or unsecured, or to prevent the High Authority from making, in connection with other loans which it may obtain, provisions corresponding to those made in clause (3) above and in Article V for the Loan.

(5) The service of the Loan shall be paid without deduction for, and free from, any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by any taxing authority in any member country. This Agreement shall likewise be free of any tax so imposed.

(6) Full opportunity shall be afforded to accredited representatives of the Government of the United States of America to consult with the High Authority concerning matters relating to the Loan, the maintenance of service thereon and other matters of mutual interest, to the end that the Government of the United States of America shall be currently informed with regard to all matters affecting the Loan.

Article V

If (1) default shall be made in the payment of any interest or principal, when and as the same shall become due and payable under Article II and such default shall continue for 30 days, or (2) default shall be made in the performance of any other covenant of the High Authority herein contained and such default shall continue for 90 days after notice thereof from the Government of the United States of America to the High Authority, or (3) any change shall be made in the Treaty establishing the Community which shall adversely affect

the capacity of the High Authority to perform its obligations under this Agreement, then, and in each such case, the principal of the Loan then outstanding may be declared by the Government of the United States of America to be due and payable immediately. Upon such declaration, without prejudice to its obligation to pay all amounts so due and payable, the High Authority shall forthwith transfer and assign all evidences of indebtedness and related instruments of security then held in the separate portfolio referred to in clause (3) of Article IV to a banking institution designated by the Government of the United States of America, which shall hold the same for the benefit of the Loan and apply all receipts therefrom first to the payment of unpaid interest on, and then to the payment of the principal of, the Loan. Upon payment of the Loan in full, such evidences of indebtedness and instruments of security, and all receipts therefrom, shall be held at the free disposal of the High Authority.

Article VI

Any notice, report, declaration, consent or request, required or permitted to be given under this Agreement by either party to the other, shall be deemed to have been given when it shall be delivered in writing or by cable or radiogram to such other party at its address hereinafter specified, or at such other address as it shall have

designated as aforesaid;

(a) For the Government of the United States of America

(b) For the High Authority

Article VII

The Government of the United States of America and the High Authority shall each be entitled to approach the other for a reconsideration of any of the provisions of this Agreement, if in its judgment prevailing conditions justify such reconsideration.

Signed in duplicate at Washington, District of Columbia, this ____ day of April, 1954.

For the Government of the United States
of America

For the High Authority of the European Coal
and Steel Community
