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Work of the Organisation for European Economic cooperation

Report

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1. Introduction

1. Since November, 1951, when its second Survey for the Council of Europe and its Report on Financial Stability and the Fight against Inflation were published, 0. E. E. C. has concentrated on problems of intra-European trade and payments and on the implementation of the Declaration of 29th August, J 951 in which Member Governments agreed that the broad objective of their policies during the period 1952-1956 would be to expand total production in Western Europe by 25 % by comparison with 1951.

2. In accordance with the decisions of the Council of 0. E. E. C. meeting at Ministerial level at the end of March, 1952, the Organisation is at present engaged in, or will shortly begin, a number of studies, the results of which will not be available for some months. The conditions for the continuation of the European Payments Union ore being considered, and a decision on this question must be taken before 30th June, 1952. Measures for the liberalisation of trade are to be discussed by a Steering Board which has just been created. A group of experts and officials is beginning a new study of problems of internal financial stability, and their report will be submitted to a Ministerial Group and then to the Council. Decisions taken on economic expansion are being put into effect. Finally, a report on the economic position and prospects of Member countries, the United States and Canada will, on present expectations, be drawn up in the early autumn of 1952. The results of these studies can only be communicated to the Council of Europe at its autumn session.

3. The present survey is therefore to be regarded as an interim report. Part I is confined to tracing recent developments in the economic situation; this provides a background against which the activities of 0. E. E. C. briefly described in Part II can be considered.

2. PART I

Some facts about recent economic developments

4. The following paragraphs give certain essential facts concerning trends in industrial and agricultural production, prices, trade and payments, but make no attempt to give a complete picture of recent economic developments. The statistical data available for 1951 are, in any case, still incomplete.

2.1. SECTION I

Industrial production

WESTERN EUROPE

5. The level of European industrial production in 1951 declined, as it usually does, during the summer months. In the last quarter of the year, the level was much the same as in the second quarter ; it showed little further change at the beginning of 1952. Reference to the trend of production in earlier months throws light on this development. In the first six months of 1950, the rate of expansion of European production had been fairly rapid, despite stagnation in a few countries. It increased sharply after the outbreak of hostilities in Korea and remained at a very high level from July, 1950 to the end of June, 1951, being 13 % higher during this period than during the previous twelve months. In the last two quarters of 1951 and the first two months of 1952, production remained higher than in the corresponding periods for the previous year; from the fourth quarter of 1951, however, the increase over the previous year has been appreciably less than before the events in Korea. For January and February, 1952 the increase is of the order of 4 % by comparison with the corresponding months of 1951.

TABLE I - General Indices of Industrial production for Member countries combined 1948 = 100

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
1949	110	114	107	119
1950	120	124	120	137
1951	135	140	130	142
Percentage increase 1950 over 1949	9,0	8,8	12,1	15,1
Percentage increase 1951 over 1950	12,5	13,0	8,3	3,6

NOTE : Unless otherwise specified, the source of all the tables in this survey is the O.E.E.C. Bulletin of General Statistics or the O.E.E.C. Foreign Trade Statistical Bulletin. For January and February, 1952 the increase is of the order of 4 % by comparison with the corresponding months of 1951.

VARIOUS EUROPEAN COUNTRIES

6. Consideration of the development in individual Member countries shows that the comparative stabilisation of production in the second half of 1951 was a feature common to all countries, except Germany and Greece, in contrast to the considerable differences in rates of expansion in the previous twelve months.

TABLE II - Fluctuations in Industrial Production

	FLUCTUATIONS from 2nd qtr. 1050 to 2nd qtr. 1051	FLUCTUATIONS from 2nd qtr. 1051 to 4th qtr. 1051
	%	%
Germany	+28	+7
Greece	+21	+6
Belgium-Luxembourg	+20	-1
Italy	+18	-1
Austria	+17	+2
France	+15	+1
Netherlands	+9	+2
United Kingdom	+7	-1
Ireland	+6	-4
Turkey	+6	..
Norway	+5	-1
Sweden	+5	0
Denmark	+3	-3

UNITED STATES AND CANADA

7. It is of interest to compare these figures with those for the United States and Canada which record a falling—off in production—slight in the case of the United States and more marked in the case of Canada—during the fourth quarter of 1951 as compared with the second quarter.

TABLE III

	CHANGE FROM 2nd qtr. 1050 to 2nd qtr. 1051	CHANGE FROM 2nd qtr. 1051 to 4th qtr. 1051
	%	%
Canada	+11	-5
United States	+15	-2

I N T E R P R E T A T I O N or THESE FIGURES

8. The size of the differences between countries in the rate of increase of production during the period July, 1950 to June, 1951 is largely due to the fact that, even before the events in Korea, a large proportion of the productive capacity and manpower of some countries was already heavily employed, whereas other countries—-the first six countries in Table II — still had reserves . A detailed analysis of the causes of these variations would go beyond the scope of the present survey, but some may be briefly stated. For some countries the shortage of key raw materials for their industries presented a particularly serious limitation to expansion, and the defence programme has involved difficulties in the reconversion of industry from civilian production. In some other countries the drastic measures taken to control inflation slowed down production, a fact already noted in the Report on Financial Stability published in November, 1951.

9. The relative stabilisation of production since the third quarter of 1951 is connected with a reduction in the margin of unused production capacity, difficulties over reconversion and a falling—off in demand in certain sectors.

10. During periods of reconversion, output from new production lines is often held back by the need for re-tooling, re-stocking, recruiting skilled labour, etc... Moreover, production statistics take no account of products in process of manufacture, the result being a fall in index numbers of apparent rather than real significance.

11. Furthermore, the position varies greatly from one sector of industry to another. In industries producing capital equipment, output is still increasing in most countries, whereas in some oilier industries output is falling. This is the case, for instance, in the motor-car industry in the United States which is affected by reconversion, and in the textile industries in both the United States and Europe. The difficulties experienced by the textile industries arc due in part to the reaction of the public which had bought heavily and which normally reduces its purchases when a fall in raw material prices, following on a very sharp rise, leads to the

expectation of a decline in prices of manufactured goods. In part the difficulties are due to a certain over-expansion in the textile industries which has become apparent since the reappearance of Germany and Japan on the export market.

EFFECTS ON EMPLOYMENT

12. In order to transfer manpower and other resources to expanding industries adjustments have to be made. They arc sometimes painful. The slowness of such transfers increases the incidence of unemployment, which, however, in most countries is still low.

13. The increases in unemployment reported in recent months have mainly occurred in the textile and clothing industries. This is true of the United Kingdom, where the total of unemployment is still only a small percentage of the civilian working population. To a certain extent, it is also true of Belgium. In the Netherlands and Denmark the increase in unemployment, though more general, has been of limited extent. Unemployment in Switzerland, which was already very small, has fallen and the number of foreign workers has increased. In the case of those countries where structural unemployment exists, a slight improvement is to be noted for Germany and Austria, while in Italy unemployment remains stationary and continues to be a very serious problem. The totals of unemployed in other countries have not varied appreciably.

2.2. SECTION 2

Agricultural production

14. The following table shows the changes in agricultural production in "Western Europe :

TABLE IV- Indices[1] of agricultural production[2] for Member countries combined (1934-1938 = 100).

	1947/48	1948/49	1949/50	1950/51
Total production	81	95	104	111
Total production	73	87	101	108

15. Although the increase in total production in 1950/51, as compared with the preceding twelve months, fell short of the obviously exceptional increases during the previous period, it was still above the annual pre-war increases. For 1951/52, it seems that the index of total production will be only a few points above the 1950/51 level. As far as can be judged, prospects for the 1952 harvest are favourable. The area sown in bread grains for Member countries combined is, however, less extensive than before the war. Western Europe remains a large importer of feeding stuffs, despite the progress made in the use of national resources. Although meat and milk production showed a substantial increase in 1950/51, it is still below what had been expected.

2.3. SECTION 3

Price trends

RAW MATERIALS

16. As is known, the fall in raw material prices which began in March 1951, after a period of spectacular increases, later became much more marked. This fall has been largely due to the measures taken by the United States, on the one hand, to stabilise the internal financial situation (see para. 20), particularly by controls on the uses and prices of raw materials, and, On the other hand, to slow down Government purchases for stockpiling.

17. The following table (giving official prices) shows that the various raw materials have been affected in different ways. The case of wool, where prices have fallen lower than they were before the Korean war, is exceptional. Recent prices for the other raw materials included in the table, although much below the peaks

1. Harvests in the second half of any year are shown b y the index for that year and the following year, e.g. the index for 1950-51 covers the harvests in 1950.
2. For human consumption.

reached at the end of 1950 and the beginning of 1951, are still appreciably above the level of the second half of 1950. In general, the fall which was very rapid during the autumn of 1951 has since slowed down, and certain prices such as those of tin and United States cotton have regained part of the recent falls.

TABLE V - Raw material prices 1st six months of 1950 = 100

	MARCH index	MARCH 1951	SEPT. 1951	MARCH 1952
Wholesale prices of 16 industrial produels in the United Stales[3]	169 (Feb.1951)	165	136	128
Copper[4]Belgium	142 (Nov.1951)	126	142	142
Cotton, U.S.	140 (May 1951)	139	108	125
Rubber R.S.S.I. Malaya	355 (Feb.1951)	343	248	174
Wool (Australia)[5]	279 (Mar. 1951)	279	88	77[6]
Tin, United States	239 (Feb..1951)	191	135	159
Pulpwood, Sweden	272 (Oct.1951)	160	268	195[7]

BETAIL PRICES

18. In the United States, prices of consumer goods rose by only 4 % from 1st January to 31st December, 1951. In the first quarter of 1952, there has been a fall of about 1/2 %. Retail price trends in Europe are shown in the following table :

TABLE VI - Changes in the cost of living or retail prices 2nd quarter 1950 = 100

	1950 DECEMBER	1951 SEPTEMBRE	1052 MARCH
Austria	114	143	156
Iceland	121	140	149
France	109	124	138
Greece	111	116	125[8]
Norway	107	121	125
Sweden	105	121	124
United Kingdom	102	112	117
Danmark	107[9]	115[10]	116[11]
Italy	104	112	115[12]

This table shows that, between September, 1951 and March, 1952, there was a sharp rise in France (11 %) , Austria (9 %) and Greece (8 %) . There was a rise of about 4 1/2 % in the United Kingdom, and a rise somewhat below 4 % in Germany (where the rise was checked by December, 1951). In other countries prices have been relatively stable.

3. Packing cloth, copper, cotton, linseed, raw hides and skins, lead, printed fabrics, cellophane, rubber, shellac, silk, steel, scrap, tin, wool tops, zinc.
4. On unofficial markets, the price of copper has recently fallen.
5. January-February 1950 = 100.
6. February, 1952 (approximate figure).
7. Provisional. Prices have fallen heavily since February.
8. February, 1952.
9. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.
10. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.

	1950 DECEMBER	1951 SEPTEMBRE	1052 MARCH
Belgium	104	113	114
Luxembourg	106	112	112[13]
Germany	99	108	112
Ireland[14]	100[15]	109[16]	112
Netherlands	104	112	111[17]
Switzerland	102	107	108
Portugal	100	102	102
Turkey	97	97	101[18]

This table shows that, between September, 1951 and March, 1952, there was a sharp rise in France (11 %) , Austria (9 %) and Greece (8 %) . There was a rise of about 4 1/2 % in the United Kingdom, and a rise somewhat below 4 % in Germany (where the rise was checked by December, 1951). In other countries prices have been relatively stable.

STATISTICS OF PRIVATE INCOMES AND WAGES

19. In the United States, during 1951, the rise in prices of consumer goods was brought under control and the volume of sales of durable consumer goods was reduced, despite an increase in private savings. In Europe, there has been a fairly close correlation between movements in retail prices and wages; this can be seen by comparing the following table with Table VI above :

11. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.
12. February, 1952.
13. February, 1952.
14. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.
15. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.
16. For Denmark : April 1 9 5 0 = 100. The figures in the table refer to January, 1951, October, 1951 and April, 1952. For Ireland : May, 1950 = 100. The figures in the table refer to November, 1950, August, 1951 and February, 1952.
17. February, 1952.
18. January, 1952.

TABLE VII - Movements of wages and earnings 2nd quarter 1950 = 100

	2nd QTR. 1951	4th QTR. 1951	FEB. 1952
Austria (hourly wages)	132	170	171[19]
France (hourly wages)	121	148	152[20]
Sweden (hourly earnings)	120	126	140[21]
Germany (hourly earnings)	120	121[22]	…
Norway (hourly earnings)	115	120[23]	…
Belgium (hourly earnings)	112	117	…
Denmark (hourly earnings)	109	115	…
United Kingdom (weekly wages)	107	113	116
Italy (hourly wages)	108	113	114
Netherlands (hourly wages)	110	111	111
Switzerland (hourly wages)	101	104	…

For Belgium, Germany and Switzerland, June, 1950 = 100; the figures in the table refer to June, 1951 and December, 1951 . For France, April, 1950 = 100 ; the figures arc given for April, 1951, October, 1951 and January, 1952. For Sweden, May, 1950 = 100 ; the figures are given for May, 1951 and November, 1951. NOTE : A s the indices in the above table are on different bases, it is not possible to use them for a direct comparison between different countries.

INTERPRETATION OF THESE FIGURES

20. The figures show that during 1951 the fight against inflation met with considerable success in many countries. In this, the policy of the United States was an essential factor. Credit restrictions in the U. S. made a large contribution towards reducing sales on deferred payments, and by the end of the year had brought down expenditure on house building to an annual rate of $ 10,000 million as against $ 13,000 million at the end of 1950.

21. In Europe the picture shows contrasts, as has already been indicated in the last report of the Organisation on Financial Stability. This Report traced price movements from July, 1950 to September, 1951 and described the incidence of the defence programmes on the difficulties experienced by various countries. At the end of 1951, inflation had been brought under control in a number of countries. Prices, however, were still rising very steeply in France, Austria and Greece. In the United Kingdom, it became niecessary to adopt a disinflationary policy, mainly owing to balance of payments difficulties, which will be dealt with in Section 4; this country has recently raised rates of interest and reduced subsidies. In France, the rise in prices came to a halt in March 1952.

22. These results are not solely due to Government policy. The attitude of the public has changed. After the wave of buying which followed the outbreak of war in Korea had passed, it left private and industrial stocks swollen. This, combined with the fall in raw material prices, made buyers more prudent. In countries where an anti-inflationary policy had begun to take effect, this prudence was increased by, and contributed to the stabilisation of prices.

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19. January, 1952.
20. January, 1952.
21. January, 1952.
22. The latest figure available is for September, 1951.
23. Estimation du Secrétariat.

23. Nevertheless, there remain powerful inflationary elements in the present situation. In the United States, where the level of private investment remains high, armament expenditure is increasing rapidly and a large budget deficit is expected for 1952-1953. In Europe, the position of certain countries still gives cause for anxiety (as is clearly shown by the present difficulties in the European Payments Union which will be dealt with later). But in most countries also, the need to strengthen defences and increase exports, together with competing requirements such as productive investment, housing, and the improvement of the standard of living, inevitably entails certain priorities and therefore certain sacrifices. The fight against inflation is still very much a problem of the day and demands continuous effort.

2.4. SECTION 4

Trade and payments

TRADE BETWEEN WESTERN EUROPE AND THE REST OF THE WORLD

24. The following table illustrates the development of trade between Western Europe and the rest of the world during 1950 and 1951, separating trade with the United States and Canada and with other non-member countries.

25. It will be seen that during the second half of 1950, Western Europe's trade balance improved considerably both with the United States and with other non-member countries. In 1951, on the contrary, the development of the trade balance with one area differed greatly from that with the other. With the United States and Canada, Europe ran a deficit throughout 1951 and this deficit increased by 65 % between the 1st and 2nd halves of the year. With other non-member countries Western Europe ran a large deficit during the first half of 1951 and a surplus during the second half. Overall, the deficit was much greater in 1951 than in 1950; but lower in the second half of 1951 than in the first. The following paragraphs help to explain these developments.

TABLE VIII - Trade of Member countries combined 8 millions

	1950		1951	
	1st HALF	2nd HALF	1st HALF	2nd HALF
a) With U.S.A. and Canada :				
Exports	627	1.030	1.201	1.146
Imports (f.o.b.)	1.687	1.513	2.054	2.557
Trade balance	-1.060	- 483	- 853	-1.411
b) Willi other nonmeniber countries[24]:				
Exports	2.708	3.212	3.777	4.499
Imports (f.o.b.)	3.083	3.206	4.595	4.270
Trade balance	- 375	+ 6	- 818	+ 229
c) With all non-member countries[25]:				
Trade balance	- 1.435	- 477	- 1.671	- 1.182

TERMS OF T R A DE

26. Since the outbreak of hostilities in Korea, the terms of trade of Europe with the rest of the world have varied considerably, largely owing to fluctuations in raw material prices. The " Report on Financial Stability and the Fight against Inflation " noted for the second quarter of 1951 a deterioration of the terms of trade for most Member countries and an improvement for a few. A distinction is drawn between these two groups of countries in the following table which indicates that a marked improvement in the terms of trade of Western Europe occurred during the second half of 1951. This was partly due to a delayed but substantial rise in the unit value of European exports.

24. Excluding overseas territories.
25. Excluding overseas territories.

TABLE IX - Movements of the terms of trade (index of average value of exports divided by index of the average value of imports) Second quarter 1950 = 100

	1951		
	2 e TRIM.	3e TRIM.	4e TRIM.
Austria	94	99	110
Netherlands	94	94	97
Ireland	90	89	100
Italy	86	91	90
France	86	89	96
Germany	89	91	98
United Kingdom	85	88	93
Switzerland	85	87	- 90
Danmark	81	84	96
Sweden	126	133	136
Norway	114	118	115
B.L.E.U	108	113	117
Turkey	103	98	101

TRADE WITH THE UNITED STATES

27. The worsening of the dollar deficit of Western Europe in 1951, and in particular during the second half of the year, was a result of variations in the volume of trade. Western European imports from the United States were $ 1,000 million higher than in 1950, the chief increases being in coal, grain and oil. It should, however, be noted that European imports of coal, which were very large during the second half of 1951, are being reduced in 1952. European exports to the United States have been as follows : - The figure for exports to the U. S. 1950-1951 is 98 % higher than that for 1949- 1950. From the second quarter of 1951 onwards, exports in each quarter have been slightly lower than in the previous quarter. As compared with the corresponding quarter in the previous year, the second quarter of 1951 still showed a considerable increase, the third quarter showed a smaller increase, while the fourth quarter total shows figures below that of the previous year.

TABLE X - Exports from Member countries combined to the United States § million

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
1949			187	228
1950	231	243	333	445
1951	490	487	463	436
Percentage increase 1951 over 1950	112 %	100 %	39 %	- 2 %

TRADE WITH RAW MATERIAL EXPORTING COUNTRIES

28. The trend of trade with raw material exporting countries has been different as the following table for the non-participating sterling area and South America illustrates. The rate of increase compared with the corresponding period of the previous year remained high in the last half of 1951 and the first two months of 1952. These favourable results are only in part due to the increase in the unit value of European exports mentioned above. The volume of imports by raw material producing countries has remained high in the months since the fall in raw material prices began, either because of execution of contracts previously placed, or because of orders which could not be placed during the period of risingprices. The trend in the near future, however, may be less satisfactory when the countries concerned adapt their import policies to lower current earnings of foreign exchange. Since March, 1952, it is to be noted that Australia has had to introduce drastic import restrictions.

TABLE XI - Exports by Member countries to the non-participating sterling area and South America S million

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
1949			1.017	772

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
1950	788	808	869	1.073
1951	1.040	1.211	1.351	1.448
Increaso in 1951 as a percentage of 1950.	32 %	50 %	55 %	35 %

RECENT STRAINS IN THE SYSTEM OF INTRA - EUROPEAN TRADE AND PAYMENTS

29. It is not only in trade between Western Europe and the dollar area that serious difficulties have been caused by the recent economic fluctuations. The positions of Member countries in the European Payments Union, some of which represent large currency areas, have undergone unexpectedly sudden and wide fluctuations. In consequence, as is shown in the following table, the strains on the system have considerably increased.

TABLE XII - Cumulative accounting position of certain member countries of the E. P. U.[26] in millions of units of account[27]

	30th JUNE 1951	30th SEPT. 1951	31st DEC. 1951	31st MAR 1952
B.L.E.U.	+ 223	+ 411	+ 591	+ 733
France	+ 195	+ 88	-184	-445
Germany	- 273	- 106	+ 43	+ 135
Italy	+ 12	+ 142	+ 238	+ 251
Netherlands	- 241	- 191	- 23	+ 177
Portugal	+ 59	+ 71	+ 97	+ 108
Sweden	- 44	+ 3	+ 171	+ 246
United Kingdom	+ 372	- 142	- 712	- 990

30. By the end of 1951 the sterling area found itself increasingly in deficit, both with the European Payments Union and with the dollar area. In view of the consequent decline in her gold reserves, the United Kingdom was obliged in November, 1951 temporarily to suspend some of the measures of liberalisation, which had previously been adopted. By this action and the action subsequently taken in other countries of the sterling area the imports of the sterling area from other Member countries of the E.P.U. have been considerably reduced. In February, 1952, France was also compelled not only to withdraw all measures of liberalisation, but also to reduce the quotas applicable to other imports.

31. Although other countrie.s—Italy, Switzerland, Sweden, Ireland, Portugal and the Belgo-Luxembourg Economic Union—have maintained liberalisation for 75 % or more of their imports, and although Germany, the Netherlands and Norway (which have previously either remained, or been forced to withdraw, below 75 %) have either now achieved or are on the point of achieving such a degree of liberalisation, the measures which the United Kingdom and France have been forced to take have seriously slowed down the rate of progress which O. E. E. C. Member countries had previously been making towards the general liberalisation of trade.

3. PART II

Action by O. E. E. C.

32. In a Resolution adopted on 28th March, 1952, some months before the termination of the four—year period covered by Marshall Aid, the Council of 0. E. E. C, at Ministerial level decided " to pursue, by a policy of mutual assistance and economic co-operation its endeavours to attain the objectives... " set out in the Convention for European Economic Cooperation of 16th April, 1948, and expressed its intention of concentrating its main efforts on problems of the liberalisation of trade and payments, internal financial stability and the expansion of production.

26. Source : Report of the Agent of E.P.U. (Bank for International Settlements).
27. 1 u/a = $ 1.

33. It is to these problems that the other decisions taken by the Council of 0. E. E. C, at its session at the end of March, 1952—one of tho most important in the history of the Organisation— relate. These decisions, on the one hand embody the results of the recent activities of 0. E. E. C. and, on the other hand, outline its future activities; these various activities are summarised or defined below.

IMPLEMENTATION OF THE DECLARATION OF 29TH AUGUST, 1951 ON EXPANSION OF PRODUCTION

34. The declaration of 29th August, 1951 on the expansion of production, which was considered in the Second Survey by O. E. E. C. for the Council of Europe, provided that the Governments of Member countries would work together to take such steps in common s s were necessary to attain the objective of an overall increase of 25 %. They also agreed to take steps with a view to arriving in common at objectives for the production increases to be achieved in the fields of coal, steel, electricity and agriculture and to determine objectives in the field of housing and immigration of workers. Accordingly, six reports, covering the sectors for which special objectives were to be fixed, were drawn up and submitted, together with a general report, to the Council of 0. E. E. C. meeting at Ministerial level at the end of March, 1952. This General Report on the Expansion Programme correlates the conclusions to be drawn from the Special Reports, stresses their close interdependence, and analyses the general conditions on which expansion depends.

35. The Council approved this General Report on 28th March, 1952, and adopted the various recommendations in it. It decided that the new studies which were proposed should be undertaken; and recognised that in order to obtain a general 25 % expansion it would be essential to attain the special objectives set out in the Report[28]. In order to help the Governments of Member countries to co-ordinate their policies, the Council also arranged for the Organisation to be kept informed on the implementation of the recommendations in the report, and on the progress of expansion in each country.

36. This Report, which outlines broadly the future work of the Organisation on the problems that must be solved if the expansion is to be achieved, is reproduced in Appendix I. The following paragraphs are therefore confined to emphasizing a number of points arising out of it, and to providing certain additional information.

RAW MATERIALS

Imported raw materials

37. 0. E. E. G. continues to follow closely the problem of supplying Europe with the raw materials which it normally imports, a problem which is happily now less acute than a year ago. In respect of a number of these raw materials, an international body, the International Materials Conference, is responsible for the allocations which the shortages make necessary. The Report on I. M. C. reproduced as Appendix II indicates the results obtained and the extent to which it has been possible for 0. E. E. C. to help the work of tho Conference.

38. On certain points 0. E. E. C. can take action by itself. Within its scope are, first, measures of internal control to ensure the best use of scarce products. In this connection, Member countries, following a decision of the Council, have put into force a common list of end-use prohibitions for copper and copper alloys. The consequent annual saving in consumption can be estimated at more than 50,000 tons of copper. Further measures are being planned for nickel and its alloys and certain alloy steels. The Organisation is also studying ways and means of increasing the production of scarce raw materials, both in the metropolitan areas and in the overseas territories. It is also studying methods for promoting the recovery of such materials, or the industrial use of substitutes. Finally, it will shortly consider whether, and to what extent, the shortage of certain raw materials is likely to slow down economic expansion.

Basic production in Europe

39. The measures taken to increase the production of electricity, steel and agricultural products, are dealt with in the Report on the Expansion Programme. The next paragraphs are, therefore, confined to a short summary of the problem of European coal production, which has been dealt with in separate reports.

Coal.

40. A report by a Group of Experts on coal[29]of 27th December, 1951, considered that, to achieve the overall expansion envisaged in the Declaration, European coal consumption would have to be raised from some 480 million tons in 1951 to some 540 or 550 million tons in 1956. This total would call for imports on

28. Report on the Expansion Programme, 15, 74, 82, 91 and 105. (See Appendix I).
29. See " Coal and European Economic Expansion ". (January, 1952).

roughly the same scale as during the second half of 1951, i.e. approximately 35 million tons per year, if Member countries did not take Very energetic measures. However, exceptional coal imports were a heavy charge on the dollar balance of payments of Member countries in 1951, and if this burden were to continue, not only the expansion programme over the next five years, but even the progress anticipated for the near future, would be jeopardised. Consequently, the Council, by a decision of 11th January, 1952, instructed a small Ministerial Committee to consider as a matter of urgency means of increasing production.

41. This Ministerial Committee in its first report[30]has been able to suggest a number of measures, which the Council has recommended that Member countries adopt. It has also noted that on the basis of certain assumptions, and, provided that these recommendations are rigorously applied by producing countries, coal production of Member countries will probably rise by 36 million tons between 1951 and 1953. On this basis in the light of recent consumption trends it would seem possible to dispense with exceptional coal imports from the United States from 1954 onwards.

42. The Ministerial Committee is proceeding with its work and is to report to the Council again in July; in particular, it is studying programmes for the financing of investments, which in certain countries is not completely assured, and on which the production objectives for 1953 may well depend. The Organisation is also studying ways and means of achieving a more rational use of coal and thus reducing consumption.

43. The improvement in the coal situation referred to above has allowed a certain relaxation to be made in the allocation procedure for United States coal; nevertheless, quarterly allocations for European coal are still necessary. Agreement between all interested countries has been reached in O. E. E. C. and the Economic Commission for Europe on the allocation for the second quarter of 1952; discussions are in progress on allocations for the third quarter.

EMPLOYMENT

44. As regards employment, the Report on the Expansion Programme states : " It is clear that manpower shortages, particularly the dearth of skilled workers, are to be expected in certain countries in achieving the expansion, and that shortages already exist in coal-mining and, to a lesser extent, in the building industry. Such shortages are geographically concentrated in particular countries, or in areas within these countries, while in other countries there exists large structural unemployment. The basic obstacle to offsetting these shortages and surpluses is the high degree of immobility, both geographical and vocational, of labour[31]. "

45. The Council of 0. E. E. C. has recognised as " essential for the overall expansion of 25 % " that " the maximum possible progress " shall be achieved " over the five-year period in the elimination of restrictive rules, formalities, and other obstacles to the free movement of workers between Member countries[32]". 0. E. E. C. is studying practical measures of international co-operation which could contribute to this objective. An enquiry on the organisation and operation of employment agencies of certain Member countries is being arranged by the Manpower Committee. This should lead to recommendations on changes which would facilitate the employment of foreign labour in the countries concerned, where this is approved by the competent authorities. The Manpower Committee has also decided to appoint a Working Party to co-ordinate information on existing restrictions and to examine by what methods and stages the movements of workers between Member countries can be progressively freed from existing obstacles.

PRODUCTIVITY

46. O. E. E. C. has, as is known, taken practical action to supplement the individual efforts of Member countries with a view to speeding up technical progress and improving productivity. Since the last survey for the Council of Europe, 0. E. E. C. has organised new technical assistance missions to the United States and within Europe, published further reports by Missions and taken part in the establishment of plans for co-operative research. It has been decided to centralize this action and a single committee, the Productivity and Applied Research Committee, will henceforth be responsible for this work. The Organisation, which maintains close contact with the trade unions' representatives and employers' associations in Europe, intends to make its full contribution to the work of education and popular appeal which is essential for the creation in Europe of an atmosphere favourable to economic expansion.

INTERNAL FINANCIAL STABILITY

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30. Report of the Ministerial Coal Production Group [Press A (52) 10].
31. See Appendix I, paragraphs 10 and 11.
32. Recommendation of the Council of 28th March, 1952.

47. The maintenance or restoration of internal financial stability is primarily a national responsibility. But internal financial stability is also fundamental to the operation of the European Payments Union, to the liberalisation of trade and to economic expansion[33]. It is also one of the necessary conditions for the elimination of the dollar deficit. Finally, the choice of measures for ensuring financial stability influences the achievement of all the economic and social objectives of the Governments of Member countries, as set out in their Declaration of 29th August, 1951. In other words, the financial stability of every Member country, as well as the choice of steps to secure it, is a matter of common interest.

48. The three Annual Reports which the Organisation has devoted since 1949 to the problems of internal financial stability have been communicated to the Council of Europe. In this field experience has shown the value of 0. E. E. C. action. The Organisation intends to persevere in, and intensify, its efforts in this direction. The Council has decided that a highly qualified group of officials and experts shall immediately carry out a general examination of the internal financial situation of Member countries and (with their agreement) of the United States and Canada. The report and proposals of the group will be considered by a small Temporary Committee of Ministers before being submitted to the Council at Ministerial level. A special study will also be devoted to the financing of investments.

DOLLAR BALANCE

49. The persistence and recent worsening of the dollar deficit is a problem of vital importance for Western Europe. By combating inflation and by concentrating expansion of production on those products, such as coal and agricultural products, recently imported from the United States in increased quantities, Europe will contribute towards reducing this deficit. Furthermore, O. E. E. C, returning to the study of the questions dealt with in its second Annual Report, is now studying practical methods for overcoming the obstacles to an increase in dollar exports. In regard to these problems, the Report on Economic Expansion contains recommendations addressed not only to the Governments of Member countries[34], but also to those of the United States and Canada[35], whose attention has been particularly drawn to methods which would make it possible " to reduce the obstacles to imports from Europe ".

BALANCE OF INTRA - EUROPEAN PAYMENTS

50. The total volume of international trade for which the Member countries of the European Payments Union, are responsible, has been increasing steadily. It is therefore understandable that, in a period like the recent one of rapid economic fluctuations, there may bo largo and sometimes violent swings in their balances with one another, which must be settled through the Union. The events of the past nine months have shown clearly that the Union has insufficient reserves of gold and dollars to enable it readily to bear the strains which such fluctuations impose upon it. It has been necessary during these months to take a number of exceptional decisions regarding the settlement of the surpluses in the Union of certain creditor countries, notably the Belgo- Luxembourg Economic Union, Italy and Portugal. On the other hand the Union has been able to come to the aid of one of its members, France, when that country found itself in acute difficulties in the early months of 1952, and to grant it a credit of 100 million units of account (1 u/a = $ 1) repayable on 30th June next.

51. The problem of how the Union can be improved and adapted, so that it can more readily face the difficulties of the future, is under active consideration in the Organisation. The Council, at the end of March, agreed on the usefulness of the Union and the necessity of making the greatest possible efforts to solve the essential problems relating to its continued existence after 30th June, 1952. It is generally recognized that the discontinuance of the Union would entail an immediate return to the methods and practices of bilateralism and an inevitable reduction in the volume of intra- European trade. New proposals regarding the amount of the reserves of gold and dollars which the Union should have for its effective operation; the way in which the present reserves could be increased; and the methods which should be adopted to ensure the satisfactory settlement of the past and future surpluses of certain creditors will be submitted again to the Council at Ministerial level before the end of May. Filial decision on these questions must be taken before the end of June.

INTRA - EUROPEAN TRADE

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33. Appendix I, paragraphs 50 to 53.
34. Appendix I, paragraph 43.
35. Appendix I, paragraphs 44 and 70, B and d.

52. The system of trade liberalisation which has been adopted by the members of O. E. E. C. has, despite difficulties mentioned in an earlier paragraph, been maintained. In particular, it should be noted that the restrictive measures which the United Kingdom and France have recently been obliged to adopt have not led to a series of consequential restrictions in other Member countries. On the contrary, members have agreed to endeavour to assist those of their number who are most severely injured by these restrictions by themselves adopting further measures of liberalisation wherever this is possible. The Organisation has recently decided to set up a new Steering Board for Trade to examine what further progress can be made in the liberalisation of trade, and the methods which should be adopted for achieving it.

53. In order that the Organisation's present and proposed system of liberalisation of trade should form a durable part of the economic systems of its members, it must be of benefit to all of them. To this end it must cover a sufficiently large number of exportable products of common interest to Member countries, and give exporters of these products a reasonably firm guarantee that the foreign markets opened up will not be closed again by restrictive measures. These conditions can only be realised if Member countries make an effort to maintain a minimum degree of stability in their internal economy and establish a lasting system, not involving undue dollar expenditure, for the settlement of balances in the European Payments Union. Furthermore, the system adopted for the liberalisation of trade must give satisfaction to Member countries, and in particular to Member countries which are mainly agricultural and consider that the present system lacks balance.

ANNUAL REPORT

54. On 29th March, 1952, the Council, " considering the demands upon the economy of the Member countries, the United States of America and Canada arising from the needs which are uppermost in the minds of their peoples at this time : namely ensuring the individual or collective security of their countries in developing their economic strength and well-being ", decided that the Organisation should in future prepare annual reports on the economic situation and prospects of these countries. The Council was of opinion that such a review " would assist these countries in formulating their own economic policies and programmes and in considering such policies and programmes in common; and likewise would assist in considering action to be taken in furtherance of the common effort ". The report for 1952 will have to emphasize future prospects, plans and policies regarding the expansion of production, investment and the use of resources, the maintenance of financial stability and the balance of overall and dollar payments. It will also have to study the main problems concerning economic relations between European countries and between Europe and North America.

THE EFFORTIN THE COMING MONTHS

55. Thus the Organisation will have to determine the reasons for the recent slow-down in the expansion of production in Western Europe, which followed the strong upward movement that began in July, 1950; it must also consider what policies should be adopted to ensure that this slow-down is only temporary. The facts given in Part I of this survey show that some of the causes for this slow-down are of a transitory nature; and when setting themselves the overall objective of a 25 % increase in production in five years, Member countries did not claim that this increase should be spread equally over each year. They recognised that a considerable effort would be necessary to reconcile the three major objectives : expansion, internal financial stability and the elimi* nation of external deficits. It may happen that the measures taken to restore financial stability will act as a temporary brake on expansion, but they will lay the foundations for future expansion.

56. To attain the three-fold objective of expansion, financial stability and the elimination of external deficits, very close international co-operation is essential. The Organisation for European Economic Co-operation, strengthened by the decisions taken by the Council at Ministerial level at the end of March, 1952, will concentrate its main efforts on the action necessary to ensure that progress is made towards the attainment of these three objectives.

Appendix 1 EUROPEAN ECONOMIC EXPANSION - Problems and prospects (1932-1956)

Report prepared by Working Party No. 5 of the Council, and approved by the Council meeting at Ministerial level on 28th March, 1952.

INTRODUCTION

1. A Working Party, set up by à Decision of the Council on action to be taken to implement the Declaration of 29th August, 1951, has had as its mandate to submit to the Council through the Executive Committee :

a. A Report outlining, on the one hand, the conclusions of the studies on various sectors, and defining, on the other hand, in the light of these studies, the problems of a general nature for which it considers a solution must be found if the overall production of Western Europe is to be increased in accordance with the Declaration;

b. Any Recommendations necessary for immediate action arising out of these studies or the definition of the problems of a general nature referred to in paragraph («•) above, and

c. If necessary, any suggestions concerning the subsequent solution of any problems encountered during its work. (Paragraph 3 of C (51) 394).

2. The studies on sectors referred to in paragraph (a) of the above Decision consist of the Reports of the Special Groups of Experts on coal, electricity, steel, agriculture and by the Secretary-General on housing, together with the comments of the competent technical committees on those Reports and by the Economic Committee. A special working party has also made a report on manpowor which has been commented on by the Manpowor Committee.

3. The first part of the Working Party's Report deals with general problems, which were considered to include the general aspects of the problem of manpower. The solution of these problems depends primarily on the individual and collective action of Western European Governments. The Working Party proposes that the Council should make a series of recommendations on the action to be taken. It has also suggested a number of general problems on which it seems desirable that there should be further study on an international basis. In certain cases, the Council has already approved studies; the report refers to these studies, and, where necessary, makes suggestions as to the action to be taken on them.

4. Similarly, in the second part of the report, which deals with sectors, including transport, the Working Party suggests either recommendations or further studies. It also suggests that the Council should request the Governments to inform the Organisation, insofar as such information would not be forthcoming under present arrangements, of the action they are taking in the light of the recommendations, the obstacles they are encountering and the measures which they intend to take, or which they consider might usefully be taken at international level to overcome those obstacles; and of the results they expect,

5. The differences between the individual positions of Member countries are too great for the recommendations to be applied uniformly to all of them. These differences will be reflected in the response of Member countries to the request mentioned in the previous paragraph.

6. The Working Party proposes to the Council that the reports and commentaries on individual sectors listed in paragraph 2 be transmitted to Member Governments.

Part I. — GENERAL PROBLEMS

1. The problems discussed relate to the general conditions which must be fulfilled in order to achieve the increase in overall production contemplated in the Declaration of 29th August, 1951, i.e. an increase of 25 % between 1951 and 1956. These problems can be briefly stated in the following terms at the same time showing their relations with one another and the order in which they will be treated.

a. The expansion aimed at calls for adequate supplies of manpower, energy, raw materials, basic foodstuffs, capital goods and transport and a sufficiently-developed production capacity. The first chapter on available resources deals with the problem of manpower and with physical shortages of raw materials which might jeopardise the expansion if no solution is found.

b. The second chapter deals with specific measures to increase productivity, so as to increase the yield secured from the available resources.

c. The third chapter deals with certain questions of priorities in the use of resources.

d. The ability of each country to obtain the products needed for expansion which it does not itself produce or of which it cannot increase the production sufficiently rapidly, depends, apart from problems of physical shortages, on its balance of payments position. General problems connected with trade and balance of payments will be dealt with in a fourth chapter, one section of which will be devoted to the dollar problem and a second to intra-European problems.

e. In each country, movements in the balance of payments arc linked with changes in the internal financial situation; from many points of view the problem of internal financial stability, which will be dealt with in a final chapter, dominates all others. Insofar as production capacity is insufficient, the increase in production will depend on the volume of investment; the problem is to obtain the necessary investment capital, and to do this without jeopardising internal financial stability; another section of the chapter will therefore be devoted to the financing of investment. Price policy (on which the volume of capital available for investment to some extent depends) will be dealt with in a third section. Finally, there can be no question of expanding production unless demand is adequate. At present overall demand is high, but the future level of demand is less certain; this aspect will be dealt with in a last section.

2. This brief survey at once establishes a point of great importance; the problems which Western Europe will have to overcome in order to increase its production during the next five years are fundamentally the same as those with which it had to deal constantly during previous years. However, during this period, Europe was able to advance so rapidly, that in 1951 its industrial production was 56 % higher than in 1947. In the case of agricultural production, even if one ignores the increase between 1947- 1948 and 1948-1949, which was abnormally large because of the very bad season experienced in 1947-1948, the two following seasons show an annual increase of approximately 9 %, in spite of a 30 % reduction in imports of animal feeding-stuffs as compared with pre-war imports.

3. These results, however, provide no guarantee that progress will be continuous. The problems referred to above, which have been a dominant feature of the post-war period, often appear in new forms, and some of them have recently become graver. They vary substantially from country to country. The general features of this situation are sufficiently well-known; it is more difficult to increase production from a relatively high level than from a very depressed one; in many countries rearmament has greatly worsened the terms of trade and has created difficulties for their balance of payments; the burden of defence expenditure is disturbing their internal financial situation; American economic aid has been reduced. The individual and collective effort of Member countries must be commensurate with the difficulties which they will encounter from the outset of the five-year period during which they intend to increase by 25 % the real national income of Western Europe over and above a level which is already higher than pre-war.

I. Available resources

SECTION 1. — Manpower

1. It is not possible to give numerical indications of the manpower needs for the achievement of a 25 % expansion of overall production of goods and services. It is clear, however, that manpower shortages, particularly of skilled workers, are to be expected in certain countries in achieving the expansion, and that shortages already exist in coal mining, and to a lesser extent in the building industry. Such shortages are geographically concentrated in particular countries, or in areas within these countries, while in other countries there exists large structural unemployment.

2. The basic obstacle to offsetting these shortages and surpluses is the high degree of immobility, both geographical and vocational, of labour.

3. To overcome this, there is a need for effective manpower organisation and programmes in each country, with a certain minimum of co-ordination of procedures and methods between countries.

4. A pre-condition for any material development in the way of introducing foreign labour is the achievement of a satisfactory state of affairs regarding the employment of manpower at home.

5. The group of experts were of the opinion that the objective for the five-year period should be the elimination of the restrictive rules, formalities and other obstacles to the free movement of workers across national boundaries. The Manpower Committee were of the opinion that it was impracticable to dispense with these entirely, and the objective should be to establish among Member countries that all that was possible in this direction was to be achieved.

Recommendation

6. The Working Party endorses the views expressed in paragraphs 10-13 and considers that the international objective for the five-year period should be for Member countries to do all in their power towards the elimination of restrictive rules, formalities and other obstacles to the free movement of workers across national boundaries, even though it is clearly impracticable to dispense with these entirely during the period.

7. The Working Party wishes to emphasise further that countries suffering from shortages should not regard the immigration of foreign labour as a last resort in the solution of their difficulties. It wishes to point out that surplus manpower existing in certain European countries can make an important contribution to the development of production where this is impeded by manpower shortages.

Proposed study

8. The Working Party also endorses the recommendations made by the experts for further study, which amount to proposals for the development of work already under way, e.g. on statistics, vocational training and the use of skilled manpower, the mobility of manpower and the problems of migration between Member countries together with administrative systems and methods. In connection with this last item, the Working Party lays stress on the fundamental importance of Member Governments ensuring the existence of an efficient employment exchange system, with offices operating in each important industrial area and in labour supply areas, and effectively co-operating with one another in order to stimulate mobility of labour. Contacts which are in view between the Organisation and the European Recovery Programme Trade Union Advisory Committee will be useful in respect of all these manpower problems.

9. The more technical recommendations on manpower are set out in Chapter VII, Part II, of this report.

SECTION 2. — Shortages of particular goods

1. The expansion of production called for in the Declaration of 29th August, 1951 will necessitate increased supplies of basic commodities for Western Europe.

2. Apart from the shortages which are dealt with in the second part of the report, the physical shortages, recently experienced or now apparent, affect various industrial raw materials and various types of investments goods, especially machine tools.

Raw materials

3. Since the outbreak of hostilities in Korea, Member countries have been recommended by various decisions of the Council to increase production of scarce materials; these decisions have also contained recommendations for economies in use and have determined the rôle and activities of the Organisation in these matters. Member Governments also took a prominent part in the initiative which led to more extensive international co-operation in I. M. C.

4. According to the most recent of these decisions, dated 10th March, 1951, " Member countries shall draw up long-term production programmes for those raw materials which give rise to problems of availability or price, whether it be in their metropolitan areas or in their overseas territories ".

5. In order to carry out this Decision, the Vertical Committees appointed by the Executive Committee drew up a final list of materials, to which these programmes would apply; aluminium, non-ferrous ores, sulphur raw materials, paper pulp and textile pulp, cotton, artificial and synthetic fibres, raw hides and skins. Member countries were invited to transmit to the Organisation the programmes which they proposed to carry out with their own resources and those for which they felt that they must invite the co-operation of other countries.

Proposed study

6. The Vertical Committees have now prepared their reports on these programmes, and these are due to be examined by the Economic Committee. The Working Party suggests that the Economic Committee be asked to examine these reports and other reports dealing with raw materials which are to be submitted to it in the light of the expansion referred to in the Declaration of 29th August, 1951.

7. As regards co-operation between Member countries and other Governments, the Secretary-General intends to submit very shortly to the Council (at Ministerial level) a report on the relations of O. E. E. C. with the I. M. C.

Investment goods

8. In the field of investment goods there is a problem of physical availabilities, which may not continue throughout the whole period referred to in the Declaration. Problems of international payments may continue to restrict the amounts of such goods which certain countries can secure.

II. Productivity

1. The whole conception of a 25 % expansion of the gross national product in five years implies that output per head must be increased substantially. A satisfactory solution of the problems discussed in other chapters would greatly facilitate such an increase, but it is very important that measures should also be taken specifically to increase productivity, many of which require relatively little in the way of investment.

2. The position and possibilities vary greatly from country to country. For Western Europe as a whole, taking into account the increase in population and possible reductions in unemployment, the rate of increase in productivity required to secure the overall expansion of 25 % in the output of goods and services is higher than that considered normal before the war, though lower than the exceptional rate secured during the period of post-war reconstruction. It will require a considerable effort to secure the necessary rate of increase, and the whole economy must contribute to it.

3. The Working Party proposes that the Council should recommend to Member Governments :

a. to maintain and develop facilities in their countries for scientific and technical research, research into market conditions and the provision of advisory services to industry and to take full advantage of possibilities for the exchange of information with other countries, and, in particular, with the United States, through the Organisation and by other methods ;

b. to encourage zeal for productivity in all sections of the community;

c. to encourage where appropriate the introduction into industry of incentive payments methods;

d. to give special attention to the principle that there should be a fair distribution of the benefits accruing from increased productivity between owners, workers and consumers ;

e. to ensure that their tax policies foster the improvement of productivity within the limits compatible with internal financial stability;

f. to seek to secure the best possible relations between labour and management, particularly at the level of individual undertakings, by improved methods of personnel administration and joint consultation.

Proposed study

4. Already there is a strong trend in this direction both nationally and within the O. E. E. C. The Technical Assistance Group and the Committee on Scientific and Technical Matters have been occupied for some time with particular tasks directed to concrete results, and with studying a series of specific problems which require examination and clarification. Generally speaking, it is clear that there remains an enormous task of technical education and popularisation to which the O. E. E. C. can and should bring a useful contribution. Consideration might, for instance, be given to the possibility of the Organisation contributing to the effort needed to secure an adequate training of managers. The Working Party proposes that the Council should make arrangements for the immediate determination of the scope and nature of this contribution, taking account of the results of the work already done by the Organisation and of the suggestions presented at the symposium on productivity held on the 30th and 31st January, 1952, and, to this end, that the following two points be clarified :

a. to what extent should the terms of reference and methods of work or, perhaps, the structure of the Committee on Scientific and Technical Matters and the Technical Assistance Group be modified;

b. to what extent, and by what methods, the Organisation can co-operate with other bodies, or encourage their action to increase productivity.

III. Priorities

1. The Working Party is not in a position to judge to what extent the sectors studied in the second part of this report should receive a priority in the allocation of manpower, materials or capital, since these activities may compete with other important branches of production, notably those industries producing goods for export to the dollar area. The Working Party wishes to emphasize, however, that the development of the basic industries covered by the Declaration is particularly vital for the future position of Europe as an industrial and political power.

2. The development of these industries will require a substantial amount of investment in the immediate future, and this, coupled with the need to increase defence expenditure and improve the balance of payments position, will mean that the improvement of living standards has to be postponed, unless a very rapid rise in output per head can be secured by a special effort.

IV. Trade and balance of payments problems

1. However great the effort of Member countries to direct increased production to the commodities essential to economic expansion, an expanding European economy will still need an increased volume of imports. Moreover, these imports will consist largely of raw materials, which will have to be paid for before they can be used to produce the additional manufactured goods for export.

2. Insofar, on the other hand, as the increase in production will not be directly used for covering Europe's own requirements, it will imply an increase in export availabilities. The basic problem of paying for the additional imports will consist in finding markets for potential exports and converting the proceeds into currencies which could be used to pay for the imports. The solution of this problem depends partly on the action taken by Europe to make its exports competitive, partly on the level of demand prevailing on the import markets, and also on the trade policies adopted by these countries.

3. Moreover, during the period covered by the Declaration, Europe will have to strive to dispense with foreign aid, to assist in the expansion of under-developed regions by its own investments and to restore the convertibility of currencies. Under such circumstances, a substantial import of foreign capital will be required to alleviate the difficulties of Europe and its associated monetary areas.

4. The dollar problem, which for Europe as a whole is the most serious, is discussed below. Europe's trade with the non-dollar area gives cause for less anxiety, insofar as Western Europe is able to purchase greater quantities of basic materials and foodstuffs in this area, the dollar problem will be correspondingly eased. The problems of intra-European trade and payments, which are of a different kind, are also dealt with below.

SECTION 1. — The dollar balance

1. The seriousness of this problem is amply demonstrated by the fact that the deficit of the trade balance of Member countries as a whole with the United States and Canada passed from 370 million dollars in the last quarter of 1950 to 915 million dollars in the third quarter of 1951 (at current prices).

2. The solving of this problem will require a reduction in the dollar expenditure and an increase in the dollar receipts of Western Europe; the more the increase in receipts limits the need to cut expenditure, the more satisfactory will be the solution.

Imports

3. In present economic conditions, Western Europe's dollar imports consist mainly of foodstuffs, coal, equipment goods and various raw materials, fn general, the problem of reducing dollar imports has been and should be kept under constant review by the Organisation. The Annual Reports, and the Second Report in particular, have analysed this problem and indicated the lines along which solutions should be sought.

4. The studies on increased production of raw materials now in progress in the Organisation and referred to above (Chapter I, Section 2), together with those arising out of the Report of the experts on coal production, aim at reducing dollar imports. In Part II (Chapter IV), too, the Working Party proposes a supplementary study on the possibilities of increased agricultural production, thus allowing a reduction of dollar imports.

Dollar earnings

5. The problem of increasing dollar earnings has also been before the Organisation for a long time. In particular, at its meeting of 11th January, 1950, the Council took note of the Trade Committee's intention to undertake studies, following a first report, on the promotion of exports to the dollar area and invited the Governments of Member countries to provide the Organisation with a report on the action taken on the suggestions in this document. In September, 1950, Member countries were requested to submit, in 1951, a further memorandum on their export drive to the dollar area. These memoranda were received by the Organisation during the last quarter of 1951, and are due to be examined.

Proposed study

6. The Working Party suggests that a report be speedily produced on the practical possibilities of undertaking collective action of a positive nature to increase exports to North America.

Recommendation

7. The Working Party proposes that the Council should adopt a recommendation to Member Governments which would :

a. recall the recommendations included in the Second Report of the O. E. E. C. :

1. to reduce dollar imports by increasing the production of goods which they are able to produce themselves at reasonable cost, by switching imports from the dollar area to Member countries and associated monetary areas, and by economising in the consumption of dollar goods;

2. to increase dollar earnings by increasing European production at competitive prices, extending facilities for exports to the dollar area, encouraging tourism, etc. ;

b. Invite Member Governments to economise in the use of dollars during the period of dollar shortages, and to increase dollar earnings.

8. The Working Party also proposes that the Council should recommend the Government of the United States :

a. to reduce the obstacles to imports from Europe, e.g. by the methods recommended in the Second Report of the 0. E. E. C, paragraphs 502-511;

b. in particular, to adopt a shipping policy which would allow freer competition between the merchant fleet of the United States and those of Member countries.

SECTION 2

Intra-European trade and payments

1. The objective of a 25 per cent increase in the output of goods and services was laid down for Western Europe as a whole and so, in consequence, were the objectives for particular sectors. Furthermore, in considering the problems involved in achieving these objectives, the studies of the various sectors dealt with Western Europe as if it were a single antity and did not examine the additional problems which arise out of the division of Europe into a number of independent countries.

2. It is essential to the attainment of the 25 per cent expansion that intra-European trade, both visible and invisible, should be raised to a very high level. This is needed to provide wider markets for both importers and exporters, to stimulate increases in efficiency, and to improve the allocation of resources generally.

3. To achieve such an increased volume of trade it is essential to devise satisfactory multilateral arrangements both for intra-European payments and for the reduction of commercial barriers to trade. If the present difficulties are allowed to lead to a reversion to bilateralism, the initial effect, at least, is bound to be a large reduction in the volume of trade, which would be disastrous for the process of economic expansion.

4. The Organisation has always devoted a great deal of attention to this subject, which is, indeed, the one which most clearly calls for European co-operation. The measures in the commercial field which are already under study, or which have at various times been suggested for study, include the stabilisation and development of liberalisation, specifically by means of the Common List, the reduction of tariff barriers ; more positive action to reduce the harmful effect of export controls; integration within various sectors, etc. The future arrangements for the European Payments Union are being very actively considered; its functioning could bo greatly eased if intra-European transfers of capital were increased, and these would also help some countries with the problem of financing the investment which is necessary for an adequate expansion in their production.

5. The Working Party does not consider it necessary for this report to discuss the merits of these particular technical methods, but it wishes to lay the utmost stress on two points :

a. the vital importance of reaching satisfactory solutions, so that the necessary increase in trade may be secured, and of reaching them quickly, so that the present difficulties may not start a disastrous move back towards bilateralism;

b. the fact that satisfactory solutions in this field will be impossible unless the participating countries also solve the problem of maintaining internal stability, which is discussed in Chapter V below.

V. Financial stability

SECTION 1. — General considerations

1. The attainment of financial stability is a key objective for the achievement of the overall expansion of 25 %. Not only would financial instability have harmful effects on production directly, it would also render a solution of the other general problems vastly more difficult.

2. The Working Party considers it of the utmost importance that the problem of financial stability should be kept under effective review in the Organisation. But, in view of the fact that there has recently been a report on financial stability and the fight against inflation, it does not consider any further general study to be necessary in the present phase of the work in relation to the implementation of the Declaration. It wishes, however, to stress the fact that, in selecting measures in order to maintain stability, Member countries should take account of the influence which these would have on the achievement of the other objectives set out in the Declaration of the 29th August, 1951— notably the high level of investment needed to make possible the expansion of output, especially in basic industries; the achievement of a satisfactory balance of payments position, both within E. P. U. and on an overall basis; the necessary increase in defence expenditure; and the pursuit of policies Avhich will promote the well-being of the less-favoured sections of the community.

3. The need to secure all these objectives simultaneously calls for the use of a wide assortment of measures, even though the maintenance of financial stability by itself might seem easier to achieve by relying mainly on one or two. Insofar as there may be a conflict between the policies needed to keep a Member country in line with the others (notably in the E. P. U.) and those which would best suit its internal conditions, the close contact and co-operation which already exist between Member Governments should be further developed.

Recommendations

4. The Working Party suggests that the Council should draw the attention of Member Governments to the following points :

a. Financial stability is one of the fundamental conditions of a continuous expansion such as that envisaged in the Declaration;

b. In considering which of the various possible measure they should use to secure financial stability, they should take account of the influence of such measures on the attainment of other objectives envisaged in the Declaration and, in particular, on the distribution of resources between alternative uses (e.g. investment versus consumption, home-market production versus production for export) ;

c. The simultaneous achievement of all the objectives envisaged in the Declaration will normally call for the use of a wide and varied set of measures to secure financial stability, rather than exclusive reliance on one or two;

d. Particular heed should be paid to the impact which measures taken by one country would have on other Member countries and on the working of the E. P. U., and the system of continuous considtation and co-operation should be maintained and developed.

SECTION 2. — Financing of investment

1. The studies of the various sectors show the need for very large capital expenditure in certain basic industries if the supply of basic products needed for expansion is to be forthcoming. From these studies, which do not make a distinction between countries, it is clear that the realisation of these investments is a sine qua non condition for the achievement of the objective.

2. In many countries, the industries in question have great difficulty in raising the funds needed for this capital expenditure, and there is a danger that, in consequence, expansion will be held up.

3. The difficulty is partly one of price policy, which is discussed in Section 3 below. The selling prices of basic industries are frequently controlled, and the prospect of earning adequate profit is considered unattractive, whilst the scope for self-financing by the use of undistributed profit is very limited. There are, however, other aspects of the problem.

4. In some countries, particularly where the level of income is low, the rate of saving is inadequate to permit necessary investment on a sufficient scale. For Western Europe as a whole there is a shortage of capital which might be alleviated by an inflow of foreign capital. In this connection assistance may be obtained from the International Bank for Reconstruction and. Development, provided that detailed investment projects are prepared.

5. In some countries, there may be difficulties in mobilising capital for long-term investments, especially when there seems to be a risk of a fall in the value of money. These problems may be especially acute in the case of industries which may only be able to offer fixed interest bonds expressed in national currency (e.g. because the industry has been nationalised or of individual borrowers (as in the case of agriculture and of housing).

6. The problem of financing investment has already come before the Organisation in connection with a report by the Electricity Committee of 8th June, 1951. The Executive Committee, referring this report to the Economic Committee, drew its attention to the broader aspects of the problem of the financing of investment. This study has not yet begun.

Proposed study

7. The Working Party proposes that the Council should ensure that in the context of the work on expansion a report should be submitted to it in the near future on the problems of the financing of investment. This should deal with the action that might be taken by Member countries, both at the national level and collectively, to facilitate such financing, including action in the field of credit and fiscal policy; it should take due account of the work already done by the Organisation.

SECTION 3. — Price policy

1. The main problem arising under this heading is that of prices which are out of line with the general price level.

2. In the first place, this may arise in the case of essential goods whose prices are fixed by the Government (or other public authority) too low in relation to the costs of production or to other prices. The danger is then of production being diverted to less essential items while consumption demand for goods which are in short supply is stimulated. The problem is likely to be particularly important where it is necessary to secure a large increase in production, especially if this involves a large capital expenditure.

3. A second set of problems arises in the case of price fixing by cartels, with which the exercise of any degree of monopoly by trade associations or even large individual sellers needs to be considered. Such price-fixing may have an adverse effect on the supply of essential items and may further entail discrimination both between consuming industries at home and between home and foreign firms. The maintenance of a high minimum price may both prevent an increase in consumption and thus in output and also reduce the incentive to the adoption of improved methods. A policy of this kind is often associated with other types of restrictive practice, such as the allocation and division of the market by means of quotas or other devices, which may also have a detrimental effect on the expansion of production.

Recommendations

4. Consequently, the Working Party proposes that the Council should recommend Member Governments :

a. to pay special attention in their price-fixing policies to the need to ensure an adequate incentive for the production of essential items on the scale required if the overall production of Western Europe is to be increased in accordance with the Declaration, and to avoid increasing unduly the demand for things which are in short supply;

b. to take adequate steps to keep themselves informed about the actions of cartels and other price-fixing bodies, and be prepared to take measures to prevent them following a policy which is impeding economic progress, more particularly where this would limit the increase in production or reduce the incentive to the adoption of improved methods.

SECTION 4. — The future level of demand

1. In present economic conditions, overall demand has reached a high level, although, in certain sectors, the lack of demand is limiting their output and poses a problem of transfer of resources. In some countries the level of overall demand is even excessive; and owing to increased expenditure on armaments most countries

have to face the danger of inflation. Subsequently, however, if there should be a decrease in military expenditure or even if a ceiling should be reached, it might be necessary to take special measures to maintain an adequate level of demand, for which the necessary preparation should be made well in advance.

2. The uncertainty regarding the future level of demand raises an immediate problem in connection with the expansion of production, insofar as it affects the readiness of entrepreneurs to take the risk of substantial capital expenditure and the willingness of wage-earners to accept improved techniques and to agree to increases in the labour force.

3. In this connection, the favourable psychological effect of the Declaration can only be maintained and its scope widened if definite measures are taken to implement the Declaration and to ensure a steady increase in demand. It is important that the public should be informed of their preparation by an adequate publicity campaign.

4. Insofar as the increase in demand is to flow from an increase in investment, it should be noted that the preparation of investment programmes requires some time. Work should therefore begin forthwith on the preparation of such programmes, e.g. for housing in the metropolitan areas, or the development _ of overseas territories, even though the carrying out of some of them may have to be postponed.

5. It is not within the power of European countries alone to ensure the future level of demand. External demand is one of the constituent factors of the overall demand for European products. The volume of this demand will undoubtedly depend largely on the competitive position which Europe succeeds in obtaining; but it also depends—as has been indicated in connection with balance of payments problems—on the economic policy of the United States and Canada. This is a fact of which public opinion is rightly aware.

6. In conclusion, it is proposed that the Coxmcil should recommend :

7. A. The Governments of Member countries

8.

a. to pay due regard to the estimates of entrepreneurs and wage-earners regarding the future level of demand—such estimates constitute one of the factors determining the volume and trend of present production—and to study the possible methods of sustaining their expectations;

b. to be ready to stimulate demand by appropriate means, for example, by the preparation of supplementary investment programmes for home and overseas territories and for other under-developed areas to be implement when the pressure of defence requirements on resources is sufficiently relieved;

c. to keep public opinion informed, by extensive publicity carried out, either individually or collectively, of action being taken to ensure the maintenance of a high level of demand.

9. B. The Governments of the United States and Canada

a. to avoid as far as possible in their countries harmful fluctuations in the demand for imports particularly of raw materials;

b. to begin now, in the spirit of the Point IV policy, the study, in co-operation with Member Governments and other interested Governments, of long-term investment problems in under-developed countries.

10. C. The Governments of Member countries, the United States and Canada.

11. To study means of increasing the ability of Member countries to earn dollars, and, in connection with such studies, to take into account the assistance which might be provided by such international agencies as the I. M. F. and the I. B. R. D.

PART II. — STUDIES OF VARIOUS SECTORS

I. Coal

1. The study by the Special Group of Coal Experts was considered by the Council at Ministerial level at its meeting on January 11th. The Council set up a small Ministerial Coal Production Group to study the problem of production in the light of the study by the Special Group of Experts and of the replies of Member countries with regard to the measures they intend to take to increase coal production and economise in its consumption. The Working Party, accordingly, did not consider the sector study on coal.

2. It is, however, clear that an adequate and timely solution of the coal problem is an essential pre-requisite to the attainment of the objectives of the Declaration of 29th August, 1951.

II. Electricity

1. The sector study by the Special Group on Electricity suggested that Member countries' global requirements of electricity would rise by 40 % between 1951 and 1956—from 248 thousand million kwh to 347 billion kwh. Countries had already indicated in the course of the Electricity Committee's second enquiry in July, 1951 the possible expansion of their capacity[36]up to the year 1955. It was estimated that if, in fact, that expansion was achieved, and the same rate held good over the final year of the period under consideration, total capacity would reach a level in 1956 that would be, in the aggregate, sufficient to meet the increased requirements expected to result from the general economic expansion. There was appreciable risk that, on the one hand, the construction of new plant might be held up by shortages of raw materials (particularly copper, steel and electric sheet), and, on the other, that the absence of firm longterm programmes in some countries might lead to delay in the placing of orders and in the achievement of the desired expansion. The expansion of electricity generation, moreover, would require considerable extra quantities of coal. The view of the experts was, however, that the major difficulty would lie in the financing of the investments.

Observations by the Working Party

Appraisal of objectives for 1956

2. The Working Party endorsed as an objective the expansion of electricity production to 347 billion' kwh in 1956, as suggested in the sector study, subject to the observations made in paragraph 75 below. The sector study indicated that, if the expansion of production envisaged was carried out, Europe's production and requirements as a whole would balanco. It was not clear, however, how far some countries would have surplus power and others would be suffering from a deficit.

National programmes

3. The Working Party noted that certain countries had not yet established national programmes for the expansion of their generating and transmission systems for the period 1952-56, and considered that it was most desirable that Member countries should forthwith draw up firm programmes on an economically co-ordinated basis to meet the estimated demand. Considering the uncertainty as to the estimates of the future requirements of generating capacity, the uncertainty of the estimates as to power availabilities and the fact that these are based on average hydro conditions, the Working Party also wished to suggest that Member countries should establish additional projects, to be realised if the course of demand should at any time require this.

Inter-connection

4. The Working Party draws the attention of the Council, however, to the fact the national programmes may not be adequate to attain the objective mentioned in paragraph 73 in years of bad hydraulic conditions and suggests that the programmes of construction should provide for adequate capacity to secure the continuity of supply under adverse weather and hydro conditions. In dry years it might be necessary to have an increased output from thermal plants to make good shortages from hydro-electric supplies. The Working Party considered that the European interconnection network should enable the timely transfer of power from areas showing a surplus to those with a deficit, while reducing the reserve capacity required by individual countries as a guarantee against adverse conditions. It should also permit the fullest possible use to be made of hydro-electric capacity in years particularly favourable to such production, thereby enabling thermal production to be reduced—with a consequent saving of coal or other fuels.

Coal supplies

36. In some oases, the information supplied by countries for that enquiry did not constitute firm national plans, but consisted rather of estimates, by the appropriate electricity authorities in each country, of the expansion that might be hoped for on the basis of likely requirements and of what had proved possible in the past.

5. The Working Party further wishes to stress the importance of making economies in the use of coal by thermal power stations and of securing adequate reserves for thermal plants against years of adverse hydro conditions.

Electricity rates

6. The Working Party observed that unduly low rates for electricity, particularly promotional two-part tariffs or unduly low prices for consumer's electrical equipment, may tend to raise less essential demand and thereby increase the investment needs of the industry, while at the same time hampering it in its attempt to secure the financing of these investments. In judging the appropriateness of the rates fixed for electricity, the latter should be compared with the prices of other sources of power, as well as with costs of production.

Recommendations to Member Governments

7. The Working Party proposes that the Council should recommend to Member Governments :

a. As regards their individual action :

- *a.* to draw up firm national programjnes for the period 1952-56, thus enabling the necessary orders for new equipment to be placed at the appropriate moment.
- *b.* in drawing up their national programmes, to consider the extended use in new installations of resources other than high-grade coal, in particular water power, and also lignite and low-grade fuel;
- *c.* to set in hand additional longterm projects, to be realised if the course of demand makes it at any time necessary;
- *d.* to ascertain for these programmes and projects the amount of investment required, and, if necessary,
- *e.* to plan their electricity rate structures so as to prevent any uneconomic stimulation of demand or any undue difficulty in investment financing.

b. As regards their action at the international level

- *a.* in planning the development of their power systems, to consult with one another in order to ensure that :
  1. enough thermal capacity is available to compensate for reductions of hydro-electric output in dry years;
  2. adequate transmission capacity is provided by the European high-tension network to meet such a situation;
- *b.* to ensure a rational use of Western Europe's resources by co-operating in the drawing- up of joint development plans with neighbouring countries.

Further studies

8. The Working Party proposes to the Council to take all appropriate steps for the carrying out by the Organisation or other appropriate bodies of the following studies :

a. a study of the geographical pattern of such increases in production and consumption as are contemplated and of the structure of production and transmission systems required to enable equilibrium between supply and demand throughout Western Europe to be obtained;

b. a study of the means available for planning the utilisation of resources for the European electricity industry so. as to ensure adequate fuel reserves to meet possible deficiencies in availabilities of hydro power;

c. a study of technical measures which could be taken to reduce consumption of high-grade coal in the electricity-generating industry, mainly by the greatest possible use of lignite and low-grade fuels;

d. a study of the European transmission network as a means of securing greater power availability under all conditions, increased operational flexibility, reductions in the needs for spare plant and savings in fuel consumption.

III. Iron and steel

1. The sector study by the Special Group on Iron and Steel suggested that domestic steel consumption would rise between 1951 and 1956 by 34 per cent, from 47 million tons to 63 million tons, and that exports would decline from 9 million tons to 6.5 million tons. Total steel requirements were therefore expected to rise from 56 million tons to 69.5 million tons, while present known expansion plans were expected to raise production capacity from 64 million tons in 1952 to at least 70 million tons in 1956. It was made clear that the rise in production would not be possible unless the coking industry was able to make available the necessary increased supplies of coke, and unless the required expansion of iron-ore supplies was forthcoming.

Observations by the Working Party

Appraisal of the objectives

2. Noting that the production of crude steel in Western Europe was in 1951 about 56 million tons, the Working Party consider it reasonable to adopt, as a provisional objective, a crude steel output of 70 million tons in 1956. Requirements of steel, however, may well prove larger than the " middle view " reflected in this figure, particularly since it is based on a rather modest estimate of export possibilities and on the assumption that changes in the relative proportions between the different steelconsuming industries will have no net effect on steel consumption as a whole in the period under review.

Considerations as to future action by Governments

3. Since a shortage of steel would have serious consequences it is important, in view of the time-lags involved, that the necessary action in all sections of tho iron and steel industry should be taken in the early years, which would permit output to be raised above the level of 70 million tons in 1956 if this should prove desirable, either because structural changes in the steel consuming industries lead to higher domestic requirements for steel, or because export possibilities prove more substantial than is at present forecast.

4. It is equally important that attention be given to the fact that failure to expand in any one sector of the iron and steel industry would prejudice the attainment of the overall objective for steel expansion—a danger which applies to iron-ore expansion programmes. On this subject, the Working Party notes that the most recent forecasts of production of iron-ore in 1956 are, for certain Member countries and overseas territories, substantially lower than earlier forecasts. This raises a problem concerning the possibility of reaching a production of 70 million tons of crude steel. It therefore seems that a supplementary effort to expand iron-ore production will be required.

5. It is recognised that fears of over-production might well prove an important factor leading to failure, particularly as regards ironore, where a considerable part of the expansion of output required consists in production for export. In these circumstances, any possible measures to prevent such fears, through, e.g. the adoption of long-term contracts, would help to promote the conditions necessary to the attainment of the objective for steel production.

Recommendations to Member Governments

6. The Working Party suggests that the Council should recommend to Member Governments :

a. As regards their individual action :

- *a.* to arrange for the production plans to be on the generous rather than on the low side;
- *b.* to encourage all concerned to assume in their planning, in respect of both the steel industry itself, including finishing, and of the industries producing steel-making raw materials, that there will be no shortage of outlets for the increased production and that new capacity will not be left idle for lack of materials ;
- *c.* to make every effort, subject to the vital interests of industries of Members countries, to increase the ability of the steel industries to supply steel to third countries at competitive prices, and thus combat the fall in exports anticipated by the Special Group, bearing in mind that the market for steel in underdeveloped areas will depend, to an appreciable extent, on investments made in those areas;
- *d.* to make every effort to ensure that the steel industries dispose of sufficient quantities of metallurgical coke in order to meet their production objectives and that, in case of a shortage of coking coal, the requirements of the steel industries should be considered in comparison with

those of other coke consumers. In these circumstances, the desirability of establishing a system of priorities might be examined with respect to the supply of coking coal to coke-ovens as well as with regard to the supply of coke to consumers in general;

e. to take all measures to promote the output of iron-ore and collection of scrap so as to enable the steel industries to reach their production targets.

b. As regards their international action ;

The Working Party suggests that the Council draw the attention of Member Governments to the contribution that the sharing of risks between producers and consumers by other suitable means, e.g. the adoption of long-term contracts, can make to increasing the production of steel or of steel-making raw materials.

IV. Agriculture

1. The Special Group on Agriculture estimated that, corresponding to a 25 % expansion in total economic activities, there will be an increase of 12 to 16 % in demand for foodstuffs. This is equal to 16 to 21 % of present agricultural production in the participating countries.

2. The Special Group examined, product by product, whether this increase in demand could be met by a corresponding increase in production. It concluded that total production could be expected to expand by 14 to 17 % in a six-year period from 1951-1952 to 1956-1957, equivalent to an increase of 12 to i 4 % in the five-year period covered by the Declaration. These percentages were established without taking into account tho potentialities of increasing Turkish agricultural production, on which the Special Group did not feel able to form a judgment.

3. The Special Group has estimated that, given the likely pattern of demand at the end of the five-year period, a slight increase of food imports into Europe by comparison with current levels would be required over and above this increase in European production.

4. The Special Group noted that, to achieve this expansion, extraordinary efforts will be required both to extend the arable area and to increase yields, and that the necessary conditions include strong advisory services and other forms of technical help, increased supplies of agricultural machinery, fertilisers, etc., despite the defence programme; selective expansion of agricultural investment; improvement of credit facilities, particularly to small farmers; assiirance of outlets at reasonable prices and expansion of intra-European trade. The current tendency for the rate of increase in the use of fertilisers to fall off was noted by the Group as particularly dangerous for the achievement of being the expansion target.

Observations by the Working Party

Appraisal of objectives

5. The Working Party notes that the Special Group does not envisage a reduction in the present volume of food imports by Western Europe if the increase of demand resulting from the 25 % expansion is to be met. In view, however, of the considerations stated in the first part of this report (Chapter IV), a reduction in these imports, in particular those payable in dollars, may very well become sheer necessity. The Working Party, therefore, considers that it is advisable :

a. to adopt as a minimum objective an expansion of 17 % in the agricultural production of Western Europe during the period defined by the experts ;

b. to make a further examination of the possibility of further expanding agricultural production in such a way as both to satisfy the increase in demand envisaged in the experts' report, though not necessarily commodity by commodity, and to reduce substantially the present volume of agricultural imports, particularly those from the dollar area;

c. to revise, if appropriate, the objective defined in sub-paragraph (a) above so as to take account of any additional possibilities shown by the study envisaged in sub-paragraph (b) above.

Efforts to be made

6. The need for an increase in production greater than that envisaged in the experts' report makes it even more necessary that the efforts they have asked for be accomplished.

National and European policies

7. The Working Party considers that effective Government action is necessary to overcome the various difficulties noted by the Special Group and by the Food and Agriculture Committee. It emphasises the need for a coherent and forward-looking agricultural policy on the part of Governments, which would lay adequate stress on the production of grains and other primary products, and for consultation between the Governments to harmonise their programme.

Agricultural products for industrial use

8. The Working Party noted that the Special Group's study covers only food products. However, as noted in Part I, Chapter I, section 2, of this report, the expansion of production of cotton and natural fibres is receiving consideration within the Organisation.

Fisheries

9. The report on marketing of fish which the Fisheries Sub-Committee is shortly to consider should, in the opinion of the Working Party, be taken as an opportunity to consider the contribution that fisheries might make to the increased supply of foodstuffs.

Recommendations to Member Governments

10. It is proposed that the Council should recommend to Member Governments :

a. to aim at fulfilling the conditions necessary for the expansion of agricultural production, namely : the existence of strong and efficient farm advisory services and other technical assistance; maintenance and increase of supplies of agricultural machinery, fertilisers, etc., in spite of the defence programme; selective expansion of agricultural investment; improvement of credit facilities especially to small farmers; assurance of outlets for farmers at reasonable prices; expansion of intra- European trade by all practicable means;

b. to encourage the development of scientific research in the agricultural field;

c. to take full advantage of the possibilities of drawing on experience in other countries, including the United States ;

d. to foster the adoption of the methods for improving the efficiency in agriculture which have been defined by the technical reports established within the Organisation.

e. to give special attention in view of the check to increased use of fertilisers and other requisites occasioned by rising prices :

1. To the maintenance of appropriate relationships between the prices of farm products and of agricultural requisites;
2. to the provision of adequate and appropriate credit facilities to farmers for fertilisers and requisites;
3. to the elimination of taxes and obstacles to trade raising the cost of fertilisers, high-quality seeds, breeding stock, etc. ;

f. to encourage expenditure of capital to increase the productivity of existing agricultural enterprises, where this is likely to produce the quickest return;

g. to establish well-defined programmes of irrigation and land reclamation, indicating the investments involved, and, if necessary, the need for recourse to foreign capital for their realisation;

h. to give special attention to the lack of assurance of satisfactory outlets felt by farmers, as a major factor limiting the expansion of production, and therefore to the need for :

1. publicity about the foreseeable growth of demand;
2. long-term contracts;

3. the vigorous intensification of efforts made to develop intra-European trade in agricultural products ;

1. to consider the extension to other commodities of agreements similar to the International Wheat Agreement.

Further studies

11. The Working Party proposes to the Council to secure :

a. the further examination of the possibilities of increasing agricultural output, taking account of the possibilities of expansion of agricultural production in Turkey, in such ways as both to satisfy the demand envisaged in the experts' report, though not necessarily commodity by commodity, and to reduce agricultural imports substantially, particularly those from the dollar area;

b. a regular review of the factors affecting the supply and demand for fertilisers, aimed at securing a balance with a high level of demand.

V. Housing

1. The report of the Secretary-General says that at the end of 1950 the housing accommodation of Member countries consisted of some 70 million dwelling xinits, which was 6.5 million less than the figure required to maintain the pre-war ratio between the number of dwelling units and the size of the population. The annual increase in the population is such that 600,000 dwelling units must be built each year to maintain the status quo. During the last two years, the number of dwelling units built per year was about 900.000. This is much too low to meet the requirements arising from the growing population, to replace existing buildings and to remedy the accumulated shortage within a reasonable period of time.

2. Any overall building objective for Member countries must of necessity be somewhat arbitrary, in view of the different circumstances prevailing in the various countries, and the vario\is assumptions on which it must be based. However, it seems that a reasonable objective would be to raise the number of dwelling units built in Member countries as a whole from 900,000 a vear in 1950, to 2 million in 1956.

3. In order to attain this objective, appropriate action must be taken at once to increase productivity in the building industry and to solve certain problems of finance.

4. While the shortage remains acute, and the volume of building is limited by the need to strengthen defence, Member countries should speed up building in mining and agricultural areas where the shortage of housing may impede general economic expansion.

5. They should also make the best possible use of existing accommodation and concentrate on building a larger number of separate dwelling units of a simple type with a small number of rooms.

6. From both points of view, the fixing of rents at too low a level has harmful effects; it tends to prevent existing accommodation from being kept in proper repair, increase the number of large premises occupied by small families, hinder the.mobility of labour and limit the building of new houses for letting.

Comments by the Working Party

Special features of the problem of housing

7. The Working Party noted that the problem of housing has two special features : problem of housing presents two special features :

a. It is in the main a national problem, not only because the extent of the shortage varies from country to country, but also because the steps required to overcome this shortage are nearly all of a national rather than an international order ;

b. since defence requirements will put unusual pressure on resources otherwise available for housing construction, it will require special efforts to assure an increase in house building. The opening for future investment arising from the continued existing of a housingshortage is of great importance in connection with the problem of future demand, as has already been pointed out in the first part of this report. - The comments which follow are governed by these two considerations.

Appraisal of the objective

8. Without making any detailed investigation of the objectives suggested for 1956 in the Report of the Secretary-Gen era], the Working Party expresses the view :

a. that, at first, the objective will be to maintain rather than to increase the ressources made available for building; but that at the same time :

1. provision must be made for the special requirements of mining and agricultural districts where the shortage of housing is an obstacle to the settlement of additional manpower from other areas within the country or from abroad and, hence, to the increased production essential for the overall expansion;

2. the number of independent dwelling units of simplified design and with fewer must be increased;

b. that, later, in order to improve living conditions, and to encourage a continuous and reasonable increase in total demand, the resources which become available must be used in such a way as to increase considerably the number of dwelling units built in Western Europe as a whole, so that by 1956, or as soon afterwards as possible, the objective of 2 million units per year will be attained.

Methods to be employed

9. The Working Party, concurs with the report of the Secretary-General on the methods which should be recommended for adoption. It attaches particular importance to measures which will ensure the best possible use of the limited resources at present available in Member countries for building.

Recommendations to Member Governments

10. The Working Party proposes that the Council should recommend to Member Governments :

a. to speed up the building of houses in areas where essential production centres are being developed (mining and agricultural areas, etc.);

b. to endeavour to build more independent dwelling units, with fewer rooms and of simplified design, without building them less well or less sturdily than at present;

c. to accelerate the industrialisation and rationalisation of the building industry, particularly by :

1. revising and making more flexible administrative regulations;

2. the grouping of orders and the signing of long-term contracts for building schemes financed out of Government funds;

3. appropriate fiscal measures;

d. so to direct their subsidies to the building industry that-they will further the achievement of the aims listed above;

e. to take the necessary steps. to ensure that, whenever a system of rent control is inevitable, its inherent disadvantages will be mitigated as much as possible; i.e. to ensure that it does not :

1. prevent existing accommodation from being kept in repair;

2. limit the building of new houses for lettings

3. increase the cases where existing accommodation is inadequately occupied;

4. hinder the mobility of labour;

f. during the period when the building programme will still be limited by the shortage of resources, to prepare for a wider programme to be carried out later, particularly by studying :

1. plans for this expansion;

2. labour and supply problems affecting the implementation of such plans;

3. town planning schemes;

4. the creation, expansion or re-organisation of financial institutions (mortgage banks, " Credit Foncier " establishments, building societies) wherever the existing institutions are inadequate for the proposed expansion.

Further investigation of this problem at the international level

11. Though the main aspects of the housing problem are national in character, surveys and exchanges of information at the international level with regard to its technical and financial aspects are extremely useful. The Economic Commission for Europe of the United Nations does valuable work in this connection, and the Council may, later, have further recommendations to make, based on this work.

VI. Transport

1. The general expansion of the economy by 2 5 % will require a large increase in the volume of goods transported, both in Europe and in the overseas territories. The Report of the Committee of Experts on Coal refers to the possibility that transport difficulties may aggravate the fuel shortage, particularly in Germany and the United Kingdom; the difficulty in the United Kingdom is largely one of a shortage of railway workers but, in Germany, the difficulty lies largely in the shortage of rolling stock.

2. The problem has many international aspects : thus international trade as a whole depends on transport; transport systems of various countries are inter-connected; some shortages in the transport system may be overcome by international trade in rolling stock and other railway material, others by the international movement of workers.

3. Long-term development programmes may be necessary, particularly in the railway sector.

Proposed study

4. The Working Party suggests that the Council should arrange for the carrying out by the Organisation or some other appropriate body of a study on the development of transport facilities called for by the 25 % expansion vizualised in the Declaration, including the difficulties which might be encountered in such a development and the action which might be taken, whether nationally or internationally, to overcome these difficulties.

VII. Manpower

Recommendations to Member Governments

1. The Working Party proposes that the Council should recommend to Member Governments :

a. To review their employment services in order to ensure the existence :

1. of an efficient employment exchange system with offices operating in each important industrial area and in labour supplying areas;

2. of a system of national co-operation between local operating offices of such a nature that :

workers in areas of labour surplus are informed of openings in areas or in occupations which are suffering from a labour shortage;

the nation possesses up-to-date information regarding the labour surpluses and shortages, actual and impending, for each area, industry and key occupation;

b. Where necessary, to establish a system of labour priorities, and give instructions to labour exchanges that, in so far as they are able to do so by persuasion, they should aim at getting the vacancies in " priority " occupations filled before others;

c. To give careful consideration to means by which inducements can be offered to encourage workers to enter those key sectors of industry which at present suffer from a manpower shortage, to discourage absenteeism and to raise output per head;

d. To introduce or encourage schemes for vocational training for these industries both in countries where full or nearly full employment exists, or, in appropriate cases, in countries with a manpower surplus which may be trained for employment in these industries in other countries ;

e. To consider the advantages offered by the holding of tripartite conferences between labour administrations, trade unions, and employers, on manpower problems.

f. Where their countries are suffering from manpower shortages, to take appropriate steps to investigate and, as far as possible, alleviate the fears of trade unions and other bodies which at present hamper the acceptance of foreign workers in their industries.

g. To examine, through the Organisation, means to facilitate enquiries by countries desirous to accept foreign workers in their industries, in countries where there is a surplus of manpower. This would involve :

1. exchanges of information among countries as to the fields of industry in which such manpower could employed;

2. that the employment services of countries with a manpower surplus co-operate actively with the countries desirous of receiving immigrants, so that the latter may have at their disposal the maximum information on all potential manpower availabilities.

Appendix 2 INTERNATIONAL CO-OPERATION IN THE FIELD OF RAW MATERIALS

The Committee of Ministers of the Council of Europe at its 9th Session (2nd-3rd August, 1951) examined Recommendation 7 (1951) of the Consultative Assembly on the Establishment of a Raw Material Resources and Purchasing Board

The Committee of Ministers adopted on the above subject a Resolution by which it requested the O.E.E.C. to include in its next Report to the Assembly an account of the present stage of international co-operation in the field of raw materials

The attached document was prepared in accordance with that request of the Committee of Ministers.

The International Materials Conference

The origin of the I.M.C.

1. The Korean War broke out on 24th June, 1950. Between June 1950, and January, 1951 prices of raw materials in world trade increased by 60 %. During the autumn of 1950 the rapidity with which these same prices were rising led to serious perturbations throughout the free world.

2. In October, 1950, the Council of the O. E. E. C. was already issuing directives to its Committees with a view to coping with this economic whirlwind which showed no sign of abating. By December, the raw materials situation was extremely serious, and the Council of the Organisation, accepting an invitation issued by the United States Government, decided to send a mission to Washington. The Mission lead by Sir Edmund Hall-Patch was in Washington from 8th to 21st December.

3. On 12th January, 1951, a joint statement by the Governments of France, the United Kingdom and the United States was issued from Washington, recognising the world-wide nature of the immediate problems and proposing to other interested Governments the creation of a number of standing international commodity groups representing producer and consumer countries throughout the free world. The groups would recommend appropriate action in the case of each commodity considered—in order to expand production, increase availabilities, conserve supplies and ensure effective distribution and utilisation of supplies among consuming countries. A temporary central group was also to be set up to provide a servicing mechanism for the commodity groups. Thus the International Materials Conference came into being.

4. During the remainder of January and early February, the I. M. C. was in process of constitution, and the first Commodity Committee, concerned with copper, zinc and lead, met on 26th February.

5. The I.M.C. came into being in order to cope with an emergency. It has always been considered by its sponsors as a temporary mechanism. Its present administrative organisation and budget for expenditure are essentially temporary in nature.

Procedure of Committees

6. The task of the Commodity Committees is to review the supply position and recommend measures for increasing production and ensuring the effective distribution and use of the materials in question. Each Committee functions independently and makes its own recommendations direct to Governments and not through the Central Group.

7. Membership of a Commodity Committee is determined by the complementary criteria of the size of a country's production and/or consumption of the given commodity. Maximum possible representation of producing and consuming interests is arrived at while ensuring that the Committee does not become too unwieldy. Translated into practical terms this means that Committee memberships cover between 80 % and 90 % of total free world producer and consumer interests, only the small marginal interests being omitted. Nevertheless, safeguards have been incorporated in Committee procedures to provide facilities for non-member countries to appear before Committees in session and to make statements concerning their respective interests. Appendix I tabulates the memberships of all the I.M.C. Committees.

8. Each Commodity Committee is autonomous even to the extent of formulating its own procedure. In practice a wide uniformity has been achieved chiefly through the fact that the Committees took up their duties at different times and made unequal progress, depending much upon the relative urgency of the problems to

be dealt with. Thus the later Committees tended to follow precedents set by those earlier in the field. For instance, the procedure mentioned above for safeguarding marginal interests was a question for each Committee to decide autonomously; yet all the Committees have acted alike in this matter.

9. Similarly, all Commodity Committees have insisted upon the confidential nature of their proceedings. The vast majority of their documents are classified as " confidential " and are not even issued to members of the Central Group, or to the members of other Commodity Committees as such.

10. The powers of the Commodity Committees are in general limited to the submission of recommendation^ or reports to Governments. If unanimity is not achieved, majority reports may be submitted together with the minority views if so requested. On procedural matters the voting rule in that of simple majority.

11. The establishment of additional Commodity Committees or the suppression of existing committees depends on the free world situation of particular raw materials. New Committees may be established at any time when the scarcity of an important commodity becomes acute enough for serious effects on prices and distribution to ensue. Likewise, as the world market of a scarce commodity returns to normal, the existing Committee charged with its care may become dormant and be reduced to a " stand-by " Committee, merely reviewing periodical statistics reflecting the existing situation and forecasting future trends of the commodity in question.

12. The Central Group has the power to create new Committees. Once created, however, the Committee itself determines if and when it may devolve into a " stand-by " committee or dissolve entirely. The Central Group nominates the initial membership, but the Committee thereafter may increase the membership as it wishes.

13. The Central Group, though originally created as a temporary servicing mechanism, was later declared a permanent servicing body, and it duly adopted rules of procedure of its own.

14. It is not a controlling group and it has no jurisdiction over the actions of the Commoleurs dity Committees nor is it a court of appeal. It is, however, the only body having a general view of the Conference and has been able to initiate such useful experiments as the periodical meetings between the Bureau of the Central Group and the Bureaux of the Commodity Committees. These joint meetings of Chairmen serve as a forum for the exchange of ideas and for informal discussion of problems common to all Commodity Committees. While it has been found that, for the most part, one Committee's problems differ radically from those of other Committees, there are certain questions, such as the repercussions of allocations on bilateral agreements and vice-versa, incentives to increase production and the form and substance of the " Report on Operations of the I.M.C. 1951-52, " on which this joint meeting has had useful preliminary discussions. The Executive Secretariat, which services both the Central Group and the Commodity Committees, effects the necessary co-ordination of an administrative and organisational character.

15. Voting in the Central Group on all procedural matters is by simple majority, each member having one vote. For the creation of a new Committee a two-thirds majority of all members is required. Corporate bodies such as the O. E. E. C. represented on the Central Group are considered as single members, and therefore have one vote. Each member is responsible for reporting to his own governing body on all matters of substance.

The I.M.C. at work

16. The creation of the I. M. C. in February, 1951 coincided roughly with the peak in raw material prices. Since then prices have, in general, fallen. Insofar as this can be attributed to the psychological effect on world markets of the creation of the I. M. C , this body may be considered to have achieved one of its principal aims and to have performed an important task by its very existence; it cannot, however, be denied that other important influences were also at work at that time. But, even so, the I. M. C. was still left with much to do, it had to tackle the most urgent problem of the equitable allocation of materials in short supply among consumers throughout the free world.

17. For this purpose the whole weight of the international questionnaire system on imports, exports, consumption and production, often involving up to seventy countries at a time, had to be brought to bear on each commodity considered. Basic periods for comparison purposes had to be agreed. The exceedingly complex question of stocks, existing and permissible, had to be broached, and defence requirements taken into account.

18. Finally, after allowing for defence and stockpiling, those commodities which were declared scarce, and the production of which was found to cover only 70 % to 90 % of consumption requirements, had to be divided fairly between countries. Quarterly allocations were decided upon forthwith for the worst cases, and details as to the development of these allocations are outlined in Appendix II. The Committees, in general, are continuing their efforts to produce " provisional " allocations covering longer periods than three months in order to give some reassurances to consumers concerning deliveries over a more reasonable period of time.

19. With reference to the emergency allocations of newsprint, it should be noted that the Newsprint Sub-Committee envisages allocations only in two specific cases : emergencies threatening the stoppage, for instance, of newspaper publication; and cases where it is clearly desirable from the international point of view that additional tonnage should be made available and where commercial channels make the allocation feasible.

20. Countries which are marginal producers or consumers have taken full advantage of the procedure allowing for hearings of their cases before Committees. The allocation plans thus far developed have been adopted as interim measures without prejudice to future schemes of distribution.

21. The I. M. C, besides allocating commodities in short supply, has reviewed less " critical " materials with a view to determining whether action of any kind would be helpful or necessary in the near future. Such reviews have, in themselves, probably exerted a steadying influence in world markets. Under this heading are : lead, manganese, cotton and cotton linters, wool and pulp (kraft and dissolving). The Cotton and Cotton Linters Committee and the Wool Committee reached the stage of " stand-by " committees during the latter half of last year. The Cotton " stand-by by " Committee became active again for a period when conflicting returns of the 1951 world cotton crop were published.

22. A third series of commodities consists of those in which the I. M. C. Secretariat takes an interest with the aim of being prepared for all eventualities. Studies are in progress based on statistics supplied from many sources, and these commodities may be kept under Secretariat review indefinitely.

23. Allocation is not a cure for scarcity. The I. M. C. is therefore concerned with recommendations for the encouragement of the increase of production, the conservation of supplies and the control of end-uses.

24. In an attempt to encourage the increase of production (and stabilisation of prices) the Tungsten-Molybdenum Committee has circulated draft proposals concerning standard types of long-term contract between producers and consumers calculated to stimulate production and encourage investment in the field of tungsten, a very scarce commodity, by guaranteeing purchase at sufficiently remunerative prices.over a fixed period of time. The proposals, however, have not been acceptable to some producers, and the scheme has been shelved.

25. The case of Chilean copper is of interest. Here, in order to achieve limited agreement, this producing country has been allowed to dispose of a percentage of its total production without reference to the allocation scheme. Thus 20 % of the production of Chile's large mines, and all the production of its small mines, is in principle free of commitments with respect to the quarterly copper allocations. But this country agreed to take into account, as far as practicable, the I. M- C. recommendations.

26. A joint sub-committee of experts of the Tungsten-Molybdenum and the Manganese- Nickel-Gobalt Committees has compiled a detailed technical report (First Report of the Joint Sub-Committee, December, 1951) entitled : " Utilisation of Manganese, Nickel, Cobalt, Tungsten and Molybdenum. " The Plenary Committees approved the report for publication. Another recently approved report, though still on the " restricted " list, deals with conservation and substitution of the same metals. The first report has been given a wide circulation, and has apparently proved useful to the steel producing industry in particular. The Sulphur Committee has also adopted and issued a " restricted " report entitled : " Summary of World Sulphur position; Report and Recommendations on Production, Conservation and Control. "

27. As regards the control of end-uses, the î. M. C. does not appear to have gone further than supporting wholeheartedly the many .schemes in existence among regional groups and individual countries and, where practicable, the extension of these schemes to other parts of the world.

Raw material problems

1. The present work of I. M. C. raises a number of problems which may be conveniently reviewed by following its terms of reference (see paragraph 3 above), namely allocations (including their determination, implementation and control, and their influence on prices); curtailment of consumption and conservation of available resources; and, finally, expansion of production.

Allocations

2. The statistical and other difficulties involved in preparing and agreeing bases for calculating international allocations are well known in Europe; they include such problems and selection of base periods and the admission of modifying factors for individual countries; the reconciliation of definitions and nomenclatures, the reconciliation and checking of figures, and a multitude of minor problems.

3. Two important aspects that must be considered in making allocations are (a) stocks and strategic stockpiling and (b) defence requirements. A rough and ready agreement has been achieved by which countries claiming stocks and/or strategic stockpiles are allowed, (if the requests appear reasonable) a small percentage addition to their " base " consumption. Stock requirements obviously cannot be claimed indefinitely. In the case of copper, zinc and nickel they are for the time being no longer allowed.

4. As for defence requirements, the demands of claimants have up to now been accepted as a priority claim on total availabilities. Suggestions have been discussed concerning the screening and justification of defence requirements, together with a system for advancing of loans of materials by industries with subsequent reimbursement in later allocations. The proposals have not, however, been accepted, and the Copper-Zinc-Lead Committee considered that it was impossible in practice to ask industries to make advances of raw materials while the present shortage prevailed.

5. Countries have at various times suggested changes in the bases for allocations; and improvements' have been- adopted. In particular the advisability of retaining part of the quantities available for allocation for purposes of later adjustment has been recognised.

Implementation and control of allocations

6. An international allocation being agreed, the problem arises of obtaining its execution. It is naturally difficult, under the present system, to offer guarantees that quantities allocated, can in fact be purchased. Apart from such cases as sulphur, which, being mainly produced in the United States, follows closely a distribution pattern set by the Office of International Trade in conformity with the recommendations of the I.M.C., an allocation is regarded as a " hunting licence. " The quantities allocated are not related to normal channels of trade or customary markets, nor do they take into account price difference and currency difficulties. Existing trade agreements and bilateral understandings may run counter to the implications of rigid allocations. For these reasons in some cases the actual distribution of raw materials allocated may well differ from the pattern recommended in some of the quarterly allocations established. Results for the third quarter of 1951 distribution of molybdenum are already available; they indicate certain import deficiencies which, it is to be hoped, have been made good in later shipments. The proportion of the deficiency, combined with the small tonnage of production involved, indicates that bigger problems lie ahead where large tonnages of other scarce materials are involved. Some countries are complaining of difficulties in obtaining their quotas. Most recent information indicates that copper and zinc allocations are proving difficult to fulfil in total, although details are not yet available. Allocations were not started for these metals until the fourth quarter of 1951.

Price stabilisation

7. The tungsten price floor and ceiling arrangement is a good example of short-term action in the field of price stabilisation (the tungsten long-term agreement is discussed elsewhere). There has been an important gap between tungsten free world production and consumption requirements. By international consent this commodity has been allocated to consumer countries since the third quarter of 1951. Spot sales in the third quarter were tied officially to a price range between § 55 and S 65 per short ton (metal content), f.o.b., with a reservation by one country, Brazil. The price tic has since been discontinued without so far, apparently, influencing seriously the market price.

8. Molybdenum, of which there is a considerable shortage, presents less difficulty over prices in the international field, since the United States covers two-thirds of total free world exports. It is thus sufficient to rely on the United States price control mechanisms. The same cannot, unfortunately, be said of sulphur where, although the United States controls about 80 % of production, there is heavy price pressure on the remaining 20 %.

9. The success of efforts to stabilise prices in the field of other scarce commodities can only be gauged by the actual course of prices. The steadying influence on world prices of the existence of the I.M.C. and of the possibility that it will impose ceilings in the event of prices becoming out of hand should not be under-estimated. Existing trade arrangements and commercial contracts seem to have proved an obstacle to the agreement of general price ceilings with which the former may not conform, and have apparently accounted for some of the opposition encountered by those striving for price stabilisation. Some producer countries seem less prepared than consuming countries for such agreements.

10. The studies of the I.M.C. Wool Committee have brought into the foreground other pricing difficulties. These are (a) the conflict with the existing system of world-wide auction sales, and (b) the difficulties of a country depending on the export of one commodity for a large proportion of its foreign exchange earnings.

11. The policy committee of the I.M.C. Wool Committee came to the conclusion that a ceiling price system was incompatible with the auction system and would involve Government acquisition and disposal of the wool clip of exporting countries. Only a very serious emergency which was not considered to exist might have led the Committee to consider such drastic action. One of the wool exporting countries put forward the suggestion that any agreement to stabilise wool prices should be reciprocated by the wool importing countries, such reciprocity taking the form of stabilisation of the export prices of manufactured goods required by the wool producers.

12. All things considered the present situation on prices might well suggest the idea that in the short term, as prices have become more stable and the atmosphere calmer, there is no immediate need for further international price controls, but there is no room for complacency about the future.

Internal controls

13. The I.M.C. has not, so far, taken any very important action in the field of internal controls and priorities. It has, however, recommended that other countries should follow certain policies already adopted by the United States and by O. E .E. C. countries, and has produced helpful information on possible substitutes for scarce materials.

Increase of production

14. Significant attempts by the I. M. G. to encourage the production of scarce raw materials have so far been limited to the drafting of proposed long-term Governmental agreements for the supply of tungsten (see paragraph 24).

15. The encouragement of the production of copper by releasing part of the export quota for free use by the exporting country—i.e. Chile—is an ad hoc arrangement linked to the quarterly allocations. As a long-term encouragement it does not appear to offer much hope.

16. The Copper-Zinc-Lead Committee has discussed proposals concerning long-term inducements to increase production, including advantages to be enjoyed both by countries developing home production and those developing it overseas. The Committee preferred not to commit itself to specific rules and reverted to the idea of judging cases upon their merits; moreover, the short-term outlook of the I. M. C. was stressed, implying that the measures proposed were of long-term significance and that the advantage to be gained would only accrue after I. M. C. has ceased to function.

C. The O.E.E.C. and the I.M.C.

Present working relations

1. The terms of reference of the O. E. E. C. Mission which went to Washington in December, 1950 were to exchange information and discuss the problems of common interest in connection with the rise in prices of raw materials and the shortage of some of them.

2. The Mission, during its stay in Washington, clarified to a certain extent the position as to the future relations between the O. E. E. C. and the International Materials Conference which was then about to be created. The I. M. C. was to deal exclusively with problems raised by the scarcity of certain raw materials and was not to concern itself with economic questions of more general significance. It would welcome all the help the 0. E. E. C. could give it to achieve its purpose.

3. The countries sponsoring the I. M. C. decided early in 1951 to enlarge the Central Group with a view to making it more representative of the interests involved. To this end, invitations were extended to and accepted by Australia, Brazil, Canada, India, Italy, the Organisation of American States and the O.E.E.C, which passed a Decision of the Council accepting the invitation on 9th March, 1951. The Secretary-General of the Organisation was instructed to assume the representation of the Organisation on the Central Group. At the end of March, an 0. E. E. C. Mission was sent to Washington for this purpose. The head of the 0. E. E, C. Washington Mission represents the Organisation on the Central Group of the I.M.C.

4. Co-operation between the Conference and the Organisation, however, goes deeper than the official representation of the one body on the Central Group of the other. A method has been devised whereby the 0. E. E. C. lends technical and administrative personnel to the I. M. C. Secretariat. This assistance, which has been found most useful, according to the I. M. C. Executive Secretary, consists of both the provision of experience of international administration and the provision of detailed technical knowledge of Western Europe representing a wide area of the I. M. C.'s field of competence.

5. The 0. E. E. C. is also in a position to render assistance to the work of the I. M. C. by the provision of official documents covering the progress which the 0. E. E. C. has been able to make in Western Europe on such questions as conservation, end-use controls and the expansion of production.

6. The numerous problems to be solved in the field of raw materials have led to the fact that it is often difficult to find sufficient technical experts sufficiently versed in the international questions involved to represent their countries in the O. E. E. C. and the I. M. C. It has, fortunately, frequently been possible for the same experts to attend the conferences of both bodies and to " stagger " the conferences to avoid overlapping. Although the more active 1. M. C. committees are in session very frequently, it has, in general, been possible to arrange that periods of peak activity do not clash. The progress of work of the I. M. C. has, without doubt, been assisted by this practice. As and when allocationsbecome more stereotyped, it is to be expected that I. M. C. Committee sessions will be less frequent and of shorter duration.

7. Tho I. M. C. is recognised to be a temporary institution. At the same time the articles of its creation state that the I. M. C. shall "...recommend appropriate action to expand production, increase availabilities, conserve supplies and ensure effective distribution... " (Extract from Joint Statement by the Governments of France, the United Kingdom and the United States, January 12th, 1951.) The I. M. C. shall, however, " ... be concerned solely with the problem of materials in short supply and will not deal with general economic questions ".

8. Both the O. E. E. C. and the I. M. C. arc fundamentally interested in achieving a state of stability in the raw material markets and in the consequent equitable allocation of scarce materials. It is not the concern of the 0. E. E. C. to consider the equity of individual allocations, as this is a principal task of the 1. M. C ; but, after this, the division of functions immediately becomes less precise. The O. E. E. C. cannot afford to ignore the impact of allocations upon the economies of its Member countries. In particular, repercussions may arise in connection with' common liberalisation measures and in the implementation of the economic expansion programme. When shortterm' problems, such as that of allocations, give place to longer-term considerations, the O. E..E. C. is well equipped to take the initiative, insofar as Member countries and their overseas territories are concerned. The O. E. E. C. Member countries constitute 48 units (excluding the United States and Canada) out of a total of 101 units of membership, in the f. M. C. (a unit being defined as a country's membership on any Committee of the I. M. C. including the Central Group). Member countries, moreover, constitute between 40 % and 65 % of the membership of each committee, depending on the commodity.

TABLE I - Participants in the International Materials Conference, Washington D. C.

	COMMODITY COMMITTEES (AND DATE FIRST CONVENED)							
COUNTRIES AND ORGANISATIONS	**Central group**	**Copper, zinc, lead Feb. 20, 1951**	**Cotton, cotton linters Mar. 5, 1951**	**Manganese, nickel, cobalt Mar. 12, 1951**	**Pulp, paper Mar. 1, 1951**	**Sulphur Mar. 8, 1951**	**Tungsten, molybdenum Mar. 8, 1951**	**Wool April 2, 1951**
Argentine								X
Austria					X			
Australia	X	X			X	X	X	X
Belgium	X	X	X	X	X	X	X	
Bolivia							X	
Brazil	X		X	X	X	X	X	
Canada	X	X	X	X	X	X	X	
Chile		X					X	
Cuba				X				
France	X	X	X	X	X	X	X	X
Germany. Féd. Rep. of.	X	X	X	X	X			
India	X		X	X		X		
Italy	X	X	X		X	X		X
Japan			X		X		X	
Mexico		X	X		X	X		
Netherlands					X			
New Zealand						X		X
Norway		X		X	X	X		
Peru		X	X					
Portugal							X	
Spain							X	
Sweden					X	X	X	
Switzerland						X		
Turkey			X					
Union of South Africa				X		X		X
United Kingdom	X	X	X	X	X	X	X	X
United States	X	X	X	X	X	X	X	X
Uruguay								X
O.A.S	X							
O.E.E.C.	X							
(30)	(10)	(12)	(13)	(11)	(15)	(16)	(13)	(11)

TABLE II - I.M. C. allocations of scarce raw materials — Allocations to 0. E. E. C. Countries

	TUNGSTÈNE (ores and concentrates) (metric t. — metal content)				**MOLYBDENUM (ores and concentrates) (ores and concentrates)**				**SULPHUR (crude sulphur) (1,000 long t.)**				
PAYS O.E.C.E.	**1951**			**1951 1952**				**1951 1952**				**1951 1952**	
O . E . E . C . COUNTRIES	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	Yearly total	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	Yearly total	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	Yearly total
Austria		6	16	22			4	4	6,5	8,2	9,3	24			
Belgium & Luxembourg		3	7	10					17,8	17,1	29,7	64,6			
Danmark										0,1	0,5	0,6			
France	280	285	662	1.227	195	232	456,5	883,5	31,2	29,6	64,5	125,3			
Germany	290	308	762	1.360	125	157	369,5	651,5	151	19,1	38,5	72,7			
Greece															
Ireland															
Italy		20	51	71		20	52,5	72,5	36[37]	36[38]	88	160			
Netherlands		8	20	28		5	10	15		0,4	0,9	1,3			
Norway									6,3	9	14,5	29,8			
Portugal										2,3		2,3			
Sweden	210	202	250	662	100	106	193,5	399,5	15,1	14,7	31,5	61,3			
Switzerland			20	20					6,8	6,3	10,9	24			
Turkey															

37. Not included 10.000 t. to be exported as refined or processed.
38. Not included 10.000 t. to be exported as refined or processed.

	TUNGSTÈNE (ores and concentrates) (metric t. — metal content)				**MOLYBDENUM (ores and concentrates) (ores and concentrates)**				**SULPHUR (crude sulphur) (1,000 long t.)**				
PAYS O.E.C.E.	**1951**			**1952**	**1951**			**1952**	**1951**		**1952**		**1951 1952**
United Kingdom	695	690	1.629	3.014	515	538	1.067	2.120	106,3	102,3	194,9	403,5	
Total European Member countries	1.475	1.522	3.417	6.414	935	1.058	2.153	4.146	241,1	245,1	483,2	99,4	
United States	1.255	1.550	3.880	6.685	3.420	3.620	7.342,5	14.382,5	1.050[39]	1.098,5[40]	2.226 3	4.374,5	
Canada	26	25	84	135									
Allocations totales (tous pays) membres do la C. I.M. P.)	2.800	3.245	7.652	13.697	4.400	4.720	9.605	1.872,5	1.415,4	1.467,8	2.953,4		

39. Incl. Canada.
40. Incl. Canada.

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**				
O . E . E . C . COUNTRIES	1951 1952 Total				1951 1952 Total		1951 1952 Total	1951 1952

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**											
	4th Qr.	1st Qr.	2nd Qr.	1st sem..	4th Qr.	1st Qr.	2nd Qr.	1st sem.	4th Qr.	1st Qr.	2nd Qr.	1er Sem.	4th Qr.	1st Qr.	2nd sem..
Notes : a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051															

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Austria	2,3	3	2,9	5,9	1,7	2	2,1	4,1	225	155	175	330	20	36

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Belgium & Luxembourg	16,4	20,2	19,6	39,8	23,1	26	26,5	52,5	108,5	95	102	197	26	52

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Denmark	3,5	3,9	3,8	7,7	1,5	1,5	1,8	3,3	22	14,7	18	32,7	4,2	8,5

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
France	36,4	38	36,9	74,9	27,6	29	31,5	60,5	1.461	1.530	1.725	3.255	75	185,7

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Germany	47,1	51	49,5	100,5	38,5	41	42	83	1.425	1.240	1.244	2.484	127,5	265,7

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**									
Greece	0,6	1	1	2	0,2	0,2	0,2	0,4	2	2	1	3	0,2

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)					
Ireland					0,1	0,1	1,3	1,3	0,6

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
Italy	24.2	24,5	23,8	48,3	9,3	9	10,5	19,5	265	200	255	455	14,5	31,6

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051 and

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Netherlands	6,8	7	6,8	13,8	5,8	6	6	12	66	70	75	145	39,8	81,7

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
Norway	3,3	4,1	4	8,1	3,1	3,4	3,6	7	68	65	67	132	3,7	9,3

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)									
Portugal	0,6	0,6	0,6	1,2	0,2	0,2	0,3	0,5	4	2,2	2,2	4,4	1,4

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Sweden	13,7	13,1	12,7	25,8	5,6	5,5	5,6	11,1	736	591	653,6	1.244,6	42,2	80

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
Switzerland	5,5	6,4	6,2	12,6	2,2	2,7	2,9	5,6	113,5	105	134,6	239,6	1,9	15

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)							
Turkey	1,8	1,5	1,4	2,9	0,3	0,3	5	3,3	3,5	6,8	2,2

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
United Kingdom	91,6	100	97,2	197,2	60,2	64	67	131	5,088	5.170	5.325,7	10.495,7	329,1	648,1

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
Total European Member countries	253,3	274,3	266,4	540,7	184	190,5	200,4	390,9	9.089	9.244.5	9.781,6	19.026,1	683,9	1.418

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint

	COPPER (Primary metal) (1,000 metric t.)	ZING (Primary metal) (1,000 metric t.)	NICKEL (Metal, oxides and salts) Metric t. — metal content)	COBALT (Metal, oxides and salts) (Metric t. — metal content)										
United States	333,7	366	355,6	721,6	228,4	229	235,8	464,8	19.690	22.951	23.726	46.677	1.212,4	2.702,4

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
Canada	27, 5	31,5	30,6	62,1	12,7	15	15	30	750	930	944	1.874	29,3	7,02

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint between 30th May, 1051

	COPPER (Primary metal) (1,000 metric t.)	**ZING (Primary metal) (1,000 metric t.)**	**NICKEL (Metal, oxides and salts) Metric t. — metal content)**	**COBALT (Metal, oxides and salts) (Metric t. — metal content)**										
Total allocations (all I. M. C. countries	677,1	744,6	723,6	468,3	169,2	487,6	510,1	997,7	31.153	33.583	34.964	68.547	2.049	4.413,1

Notes: a) Although manganese, lead, wool, cotton, cotton-linters, pulp and paper are dealt with by the Commodity Committees of the I. M. C. no plans of distribution were established for these raw materials, with the exception of four emergency allocations of newsprint

9. In'* short, the collective interests of O. E. E. C. countries lie in the maintenance of stable raw material markets and the provision of adequate supplies of raw materials. Policy, therefore, dictates that the O. E. E. C. should give full support to the I. M. C. Discussions have recently taken place in the Council as to ways and means of making this co-operation as efficient as possible. A Resolution has been adopted whereby the Organisation is to complement the measures and recommendations of the I. M. C , insofar as its Member countries are concerned. Towards this end, and also to avoid possibilities of duplication, Member countries have been invited to transmit to the Secretary-General of the Organisation copies of basic documents transmitted to the I. M. C. In general, the goodwill of the O. E. E. C. Member countries is assured and will continue to follow the efforts of the I. M. C. to achieve its ends.

Appendix 3 A RECORD OF THE WORK OF THE O. E. E. C. IN REGARD TO ECONOMIC CO-OPERATION IN OVERSEAS TERRITORIES

The Committee 0/ Ministers of the Council of Europe examined at its 9th Session (2nd-3rd August, 1951) Recommendation G (1951) of the Consultative Assembly on the co-ordination of the economics of Member States of the Council of Europe with those of overseas countries. The Committee of Ministers adopted on the above subject a Résolution by which it requested the O.E.E.C. " to include in its next Report to the Consultative Assembly an account of the results of the work carried out by the Organisation in this field "

The attached document was prepared in accordance with that request of the Committee of Ministers.

Introduction

1. The European countries which signed the Convention for European Economic Co-operation undertook as their first task the elaboration and execution of a joint recovery programme and, in particular, agreed to promote with vigour the development of production, through efficient use of the resources at their command, whether in their metropolitan or in their overseas territories (Articles 1 and 2 of the Convention). Thus the problems of the development of the Overseas Territories has, from the outset, been placed within the framework of the O. E. E. C. ; one aspect of this problem is the co-operation between these territories and the Metropolitan countries in regard to the economic and social development of the former.

2. In order to examine the means of carrying out this task, the Executive Committee of the 0. E. E. C. decided, on 4th October, 1948, to set up an Overseas Territories Working Party with the following terms of reference :

a. within the framework of 0. E. E. C, and with the object of promoting the economic and social development of the Overseas Territories, to establish the part to be played by these territories in achieving viability in 1952-1953 in regard to Europe and any dependent territories ;

b. to make a report on the co-operation which then existed in the economic development of such Overseas Territories;

c. in consultation with the Technical Committees of 0. E. E. C. to consider co-operative action in the Overseas Territories with a view to developing their production in order to attain the objectives laid down in the European Recovery Programme;

d. to establish within the same framework, and in consultation with the Technical Committees of the O. E. E. C, ways and means of attaining these objectives.

3. The Working Party first defined the permanent objectives of economic policy in the territories and established the general pattern of development into which such co-ordination must be fitted. The work undertaken by the 0. E. E. C. in this direction—-the importance of which led the Council to transform the Working Party into a permanent Committee by a Decision of 29th August, 1949—can only be described and appreciated against the background of these permanent objectives and the general pattern of development referred to above.

General pattern of economic expansion in the Overseas Territories

1. The general pattern of the economic expansion in the Overseas Territories was described in detail in the document which formed Section 15 of Vofume 3 of the Interim Report on the European Recovery Programme, published in 1949. - The main points of the Report are summarised in the following paragraphs :

2. The Governments of the Metropolitan countries have subscribed to certain principles laid down in the Charter of the United Nations concerning the administration of those non-selfgoverning territories for which they are responsible, or, alternatively, have agreed to base their policy on similar principles. In Chapter II of the Charter, the Metropolitan countries, whilst agreeing that their policy in respect of the Overseas Territories must be based on " the general principle of good neighbourliness, due account being taken of the interest and well-being of the world " , undertake to recognise the principle that the interests of the inhabitants of these territories are paramount. They accept, " as a sacred trust, the obligation to promote their well-being to the utmost ". To this end, they agree amongst other things " to ensure their political, economic, social and educational advancement, to develop selfgovernment, to take due account of the political aspirations of the people and to assist them in the progressive development of their free political institutions, to promote

constructive measures of development, to encourage research and to co-operate with one another and with specialised international bodies with a view to the practical achievement of the social, economic and scientific objectives to which they have subscribed".

3. In the pursuit of these principles, constitutional control has already devolved to such an extent upon the Governments of the Overseas Territories that matters relating to social and economic policy now fall in many cases within their competence. Moreover, most of them have their own assemblies, sometimes wholly elected, sometimes with elected majorities and, in certain cases, the elected members are participating to an ever-increasing extent in the exercise of executive power. The application of this economic policy in particular territories requires, therefore, in many cases the consent, and in all cases the full co-operation, of the local peoples. It should be noted in this connection, that both the Netherlands and the United Kingdom Governments, in entering into bilateral agreements with the United States Government in regard to the Economic Go-operation Act of 1948, had to make special arrangements to obtain the consent of local assemblies for its extension to the Overseas Territories for which they are responsible.

4. The Metropolitan countries are formally bound to the basic principle of development of their Overseas Territories in the interests of the local populations. It is no part of the arrangements made for economic co-operation in Europe to limit the application of these basic principles, or to modify in any way the obligations which the Metropolitan countries concerned have assumed towards their Overseas Territories.

5. On the other hand, there need not be any conflict of interest between the policy of economic development in the Overseas Territories and either the plan for European reconstruction embodied in the Convention for European Economic Co-operation, or the implementation of the Declaration of the Ministers of 29th August, 1951, on the economic expansion of Europe. Sound economic development, whether in the Overseas Territories or elsewhere, is bound to bring benefit to all who share in that development. The Overseas Territories must depend upon the rest of the world, and, in particular, upon Europe, for the provision of most of the finance, skill and capital equipment required for their social and economic development, as well as for markets for a large part of their exports of foodstuffs and primary raw materials. Thus it is reasonable to expect that in return for the benefits which they will derive from the European Recovery and the Economic Expansion Programmes, the Overseas Territories should contribute to their success to the extent that their ecoiiomic and social structure permits. Unless Europe succeeds in re-establishing its economic equilibrium, and unless it can achieve a high level of productivity, the progressive development of the Overseas Territories will be seriously retarded. The interests of Europe and those of the Overseas Territories are thus to a large extent complementary and not conflicting. By unifying their efforts through effective cooperation, they can be of mutual help in the reconstruction of their economies and increase their standards of living and thus promote the well-being and security of their peoples.

6. To sum up, the continuing objective of economic policy in the Overseas Territories must be to develop them as rapidly as possible in the interests of the local peoples,—as a basis for their social progress, as well as for the economic expansion of Europe. The approach must be along several lines and must aim particularly at :

a. raising the living standards of their peoples by increasing their level of productivity;

b. developing, for the mutual advantage of Europe and of the Overseas Territories, the maximum facilities in the way of finance, equipment, skills and production;

c. promoting those types of economic activities, and the production of those raw materials and manufactured goods for which they are best fitted, having regard to the balance of their economies and the advantages of international trade ;

d. improving capital equipment, so as to provide a firm basis for future development;

If these objectives are to be attained under the present economic conditions prevailing in Europe and in the Overseas Territories, it is essential that the latter should aim, in the phasing of particular development projects, at making the maximum contribution that their resources permit to the early attainment of a balance in the external payments of Europe and the Overseas Territories as a whole. Provided this short-term shift in emphasis is made —and it is being made—there is every reason for confidence in the future progress of economic development in the Overseas Territories based on a prosperous and expanding European economy, which alone can provide the skill and capital equipment for this development.

Work in hand within the framework of the O. E.E.C.

1. This desci'iption by the Overseas Territories Committee of the general pattern of the economic and social development of the territories and of the objectives to be attained is as accurate today as it was four years ago, in 1948, and since this date the O. E. E. C. has developed its activities along the lines of the programme thus outlined. - This type of work is, of course, neither the unique achievement, nor a monopoly, of the 0. E. E. C. The responsible Governments have always been concerned with the economic development of the territories and development programmes were formulated before the formation of the Organisation. Moreover, international co-operation in this field already existed before the establishment of the O. E. E. C. in 1948, and has continued as before.

2. This co-operation is achieved through a variety of organisations. The most important are the United Nations Organisation (Article 11-13 of the Charter) and its associated Specialised Agencies. These include :

a. the Food and Agriculture Organisation, whose activities arc of direct interest to the Overseas Territories, since the development of the latter depends on raising standards of living and levels of food consumption, and on improving the yield and production of food and agricultural products;

b. the International Labour Organisation, part of whose activities are of direct interest to the Overseas Territories;

c. the World Health Organisation;

d. the Economic Commission for Asia and the Far East, the purpose of which is to study the application of methods to secure the economic reconstruction as well as an increase in the level of economic activity of the territories and countries concerned.

There are a number of other important international organisations including :

a.

a. the Commission for Technical Co-operation in Africa,—-with which the African Council of Scientific Research is associated— comprising the Governments of Belgium, France, Portugal, Southern Rhodesia, the United Kingdom, and the Union of South Africa ; its purpose is to co-ordinate the activities of these Governments which relate to technical questions in Africa, South of the Sahara.

b. the Caribbean Commission (with its two auxiliary bodies, the Caribbean Research Council and the West Indies Conference) and the South Pacific Commission, comprising the Metropolitan countries having responsibilities in these areas; their purpose is to promote the economic and social development of the territories concerned, in the interests of the local peoples ;

c. the International Materials Conference at Washington whose activities are of interest to the Overseas Territories which produce certain scarce raw materials, as well as to the Metropolitan countries.

d. the bodies set up to study questions concerning the production, consumption and international trade of certain commodities, such as the Rubber Study Group, the Tin Study Group and the International Sugar Council.

Co-operation among European countries with responsibilities in Africa, and among African countries themselves, has also developed through a system of unilateral or bilateral conferences, some of which have led to the formation of information centres (soil, animal diseases, locust control, etc.). Without going into detail concerning these conferences, it must be emphasised that, in the sphere of research and in every branch of social and economic activity, there is a continual exchange of ideas and experiences, between the organisations, departments and officers of the various services of the Metropolitan country and the African territories, whether or not autonomous

3. The formation of the O. E. E. C. in 1948 made it possible to increase the scope and efficiency of the combined efforts of the Metromoyens politan countries and the Overseas Territories to develop the latter by facilitating exchanges of information on development programmes, and relating them to the general world situation, taking into account the immediate requirements of the economic and political areas of which the Territories form part. It is precisely by taking such action that the economies can be co-ordinated. The Overseas Territories Committee, working in conjunction with the other organs of the O. E. E. C , has thus concentrated on these tasks, taking as its point of departure Section 15 of Volume III of the Interim Report on the European Recovery Programme to which reference has already been made. - In Chapter III, details are given of the export targets which the Territories hope to reach in 1952-1953 for the most important of their products, and this chapter also describes plans and production projects for the chief products or groups of

products. Chapter IV is devoted to the external aid (supplies, investments, industrial development and power production, transport, manpower, prices and markets) required by the territories to further their development and, more particularly, to reach their production and export targets. Chapter V contains a number of general conclusions, recommends closer co-operation in certain sectors, and lists a number of problems to be studied by the 0. E. E. C ; particular recommendations deal with the co-ordination of fundamental research programmes in the Territories, the co-ordination of production plans, studies of markets and prices, the co-ordination of the planning and execution of schemes concerning transport and communications in the territories. - Following the publication of this Report, and in reply to comments made at the time by the United States Deputy Special Representative in Europe, a large volume of basic material was collected during 1949 on the main development projects for the Overseas Territories, on the current regulations covering foreign investment, land tenure and immigration in the Overseas Territories and on their potential dollar—earning or dollar—saving exports. - Following the completion of this work in 1949, it was possible to define clearly the problems relating to the economic and social development of the Overseas Territories for which Member countries are responsible. Subsequent work can be classified under four headings :

a. joint study of general questions connected with the development of the Territories (comparison of plans) ;

b. study of the possibility of increasing production and exports of certain commodi- .ties;

c. research on trade questions;

d. all kinds of assistance (technical, financial, administrative, manpower, etc.) given to the territories.

General questions connected with the development of the Territories

4. The Overseas Territories Committee made a joint study of problems raised by the economic and social development of the territories, which were divided into a number of large geographical areas with general characteristics of a roughly similar nature and with problems for which similar solutions were possible. The first area selected was Africa, South of the Sahara. - Such a joint enquiry appeared necessary in order to compare previous experience and to ensure that the execution of development programmes should not lead to competition or duplication which would be wasteful in investments, manpower, and materials. It appeared desirable that, in carrying out this study, emphasis should be laid on the permanent needs of the Overseas Territories, faced, as they are, with the fluctuations of world economic activity and the immediate European problems. It also seemed important to press the point that the economic development of the Overseas Territories necessitated a continuous and coordinated effort, in order that they can be brought into the circle of world trade and so play their part in resolving current problems. - At the beginning of 1950 the delegations of the Metropolitan countries concerned submitted to the O. E. E. C. a general economic memorandum on each of the African Territories South of the Sahara. These valuable documents gave the Committee a clearer idea of what had to be done to co-ordinate more closely the development of the territories, and made it possible to draw up a preliminary list of the subjects requiring attention; these included : the financing of investment, the organisation of production, organisation of trade, power, the use of land, the efficient use of available manpower and individual production capacity, basic equipment, etc... - The Committee fixed the order in which it would deal with these subjects, in the light of the general economic situation; it has completed its survey of the problem of investment, and work is now in progress on power, and the organisation of production; the Committee has also decided to start on the problem of private investment.

5. The question of investment was dealt with in a Report, " Investments in Overseas Territories in Africa South of the Sahara " published in August, 1951. This Report gives a general description of the requirements of Africa South of the Sahara, defines the various types and methods of development, analyses existing sources of finance, and discusses possible additional sources with a view to speeding up the development programmes.

6. In the light of this study the Overseas Territories Committee is considering the problem of private investment and will discuss the obstacles impeding a greater flow of private investment.

7. The question of the organisation of production has been referred to a Working Party which will study problems connected with the training of indigenous farmers, the manager ment of production units, co-operative movements, and the methods used in various territories to popularise new techniques, to extend the use of machinery and tools and to increase credit facilities. In short, it will review all that has been done in Africa to raise the productivity of the local peoples, and will recommend effective methods to the responsible authorities.

8. A second Working Party has been instructed to examine the question of power in the Overseas Territories. It will make a list of power resources, both existing and potential. It will describe development projects for the various types of power and will compare these plans with estimates of the trend of demand and the amount of capital required.

9. In connection with the general development of the territories, reference should also he made to the work done in connection with transport in Africa, South of the Sahara. Under the auspices of the O. E. E. C, a special meeting was held in Paris in 1950, attended not only by representatives of Member countries responsible for African territories, but also by representatives of the Union of South Africa and Southern Rhodesia. The main task of this Conference was to examine whether the transport development programmes for the various territories of the area in question were adequate in relation to their economic, natural and social resources, allowing for the fact that some of the development areas only have access to the sea through territories for which other countries are responsible. - It was found that there were two sets of problems, one connected with the Central, Eastern and Southern regions of Africa, and the other with the regions to the North-West of the Congo. The first set of problems was examined at the Johannesburg Conference in October, 1950, and the second at the Dschang Conference (Cameroons under French trusteeship) in November, 1950. - The question is now being pursued outside the O. E. E. C , but the Overseas Territories Committee is following progress cjosely and treats the financial and economic aspects of this problem in the context of its general work on the development of the territories.

Increase in exports

10. In addition to the work already mentioned which, directly or indirectly, should lead to a general increase in the output and exports of the Overseas Territories, certain studies have been made by the O. E. E. C. with a view to increasing output and exports of certain commodities beyond the targets planned in order to meet the immediate needs of Member countries.

11. In 1949, as already mentioned, the Overseas Territories Committee had drawn up a list of dollar-saving and dollar-earning commodities, and at the same time prospects for expanding production and exports were examined in relation to current development programmes. Subsequently studies were made of tropical timber, coarse grain, cotton and non-ferrous metals, as it seemed that production of these important commodities could be increased beyond the target estimates. - The Report, " Possibilities of increasing the use of Tropical Timber ", made a number of recommendations concerning the use of tropical timber in Europe and its export to the United States. Most of these recommendations have been put into effect, and work will continue with a view to taking all necessary measures. - In the case of coarse grains, the studies undertaken have shown that any foreseeable increase in production will be absorbed by the local population whose needs are increasing. However, it may be possible to increase exports from French North Africa. - The studies which have just been made on non-ferrous metals and cotton have shown that there was little possibility of rapidly increasing their output beyond the present targets.

Trade

12. In view of the shortage of raw materials which has arisen as a consequence of events in Korea, and following the Declaration of the Ministers of 29th August, 1951, on European economic expansion, the O. E. E. C. has been examining problems connected with both supplies of raw materials and markets for European products. Clearly, the Overseas Territories arc particularly important from both points of view. They produce a number of essential raw materials and at the same time offer a market for European manufactured and consumer goods. As a result, current or proposed development programmes for the territories cannot be overlooked in the current work of the 0. E. E. C. Particular emphasis is laid on the fact that the territories must continue to receive the external aid they require in the form of capital, capital goods and consumer goods.

13. Another aspect that concerns the trade of the Overseas Territories, namely the liberalisation of trade, has been examined by the 0. E. E. C. The Trade Committee has already made a report to the Council on the present position in this matter and has been instructed to make a new study in due course.

14. It should be noted that, as regards financial settlements, the trade of the Overseas Territories with each of the Member countries of'the 0. E. E. C. as well as with the monetary areas of such countries, benefits automatically from the facilities offered by the E. P. U. Consequently, the only monetary problems with which

the Overseas Territories are confronted, in their dealings with the whole of the very extensive trade area covered by the E. P. U., are those which may arise between members of the E.P.U. and these problems are settled in co-operation by the competent monetary authorities within the framework of the Union.

Assistance to the Territories

Technical Assistance

1. As has already been emphasised several times, the territories must receive a large amount of external aid if they are to achieve a satisfactory rate of development. Naturally, Metropolitan countries responsible for the territories provide the greater part of all types of assistance required by the latter. For example, they contribute solely towards matters relating to financial and administrative organisation, education and legislation. The territories also benefit from new technical methods and research developed and carried out by the Metropolitan countries.

2. The work of the Metropolitan countries has been assisted by surveys carried out within the 0. E. E. C. by groups of experts appointed by the Overseas Territories Committee to study individual technical assistance questions. Each group defines the scope of the subject to be dealt with, examines the needs of the Territories, taking into account existing resources and, in particular, those which the various Governments can provide on a reciprocal basis. The experts then define any deficiencies which can be made good by American aid, and, if necessary, make definite recommendations concerning the submission of joint international projects to the Economic Co-operation Administration (now the Mutual Security Agency). This procedure was used in the following cases :

a. soil erosion and conservation in Africa, South of^the Sahara, in conjunction with the Inter-African Information Bureau on Soil Conservation and Utilisation;

b. animal husbandry in the same territories ;

c. improvement of pasture and water supplies for cattle;

d. plant-breeding;

e. the mechanisation of agriculture. In conjunction with these studies, Technical Assistance missions have been organised. These missions include :

  a. a field study by an American expert, accompanied by mineralogists from the countries concerned, of the hardening of latérite soils in Africa;

  b. a study in the United States by a group of tropical timber experts of problems connected with the production, logging, sawing, drying, processing and marketing of timber, and forestry in general.

Another Mission is also being organised for the study by an American specialist, accompanied by experts from the countries concerned, of the cultivation of groundnuts in Africa, north of the Equator.

Assistance in manpower

1. It is a well-known fact that the economic development of the territories is retarded by a shortage of skilled labour. After the question had been studied by the O. E. E. C , it was concluded that the possibilities of immigration to the territories were limited, and that there could be no question of large-scale immigration; the movement must rather be confined to the admission of specialised workers. Accordingly, the Council recommended that the Member countries responsible for territories in Africa, South of the Sahara, should take steps to ensure that Member countries having surpluses of manpower suitable for employment in the territories in question be kept informed of vacancies for employment; it also recommended such countries to give particulars of the type and qualifications of surplus skilled labour, which might be employed in the territories concerned.

Supply of capital goods.

1. The Overseas Territories rely on other parts of the world for the capital goods which they need to carry out their development projects. The basic problem consists of adapting such equipment to local requirements, taking into account physical and human factors. This question is dealt with in the Report on the Mechanisation of Agriculture, referred to in paragraph 24, and the Overseas Territories Committee is working on proposals for international co-operation in this matter. - Furthermore, in order to save dollars, encourage trade between the Overseas Territories and Europe, and interest European manufacturers in the requirements of the

Overseas Territories, the O. E. E. C. periodically informs Member countries of proposed imports of capital goods by the Overseas Territories from the dollar area, and at the same time provides a list of capital goods available in Europe, together with names of suppliers and time required for delivery.

Financial assistance

1. The territories, themselves, do not possess sufficient resources for their economic and social development. They require a large amount of financial assistance, the chief features of which have already been discussed in paragraphs 14 and 15. Here it will suffice to repeat that, in addition to Government investments, which chiefly go to non-revenue earning sectors and the provision of basic equipment, the territories require productive investments most of which will come from private investors. The authorities responsible for carrying out the development plans try to maintain a balance between the various types of investment, and it has now become necessary to study possible remedies for the shortage of private investment in certain geographical areas and productive sectors. - The Report on " Investments in Africa South of the Sahara", already referred to in paragraph 14, gives details of the amount of financial aid given by the Metropolitan countries to the Overseas Territories, and of the various sources of finance both in the Metropolitan countries themselves and elsewhere.

D. Conclusion

1. For the sake of technical efficiency, the economic co-ordination resulting from all these activities sometimes extends beyond the membership of the O. E. E. C ; however, its effectiveness is strengthened by the existence of the Overseas Territories Committee of the 0. E. E. C.,by the impulse which the Organisation gives to European economic co-operation, by and the work of the Organisation in relation to the general economic situation. The Governments of the Metropolitan countries for their part have declared their intention to continue to promote the development of the Overseas Territories in the interests of the peoples concerned, within the limits of their power. However, the difficulties should not be under-estimated, and rapid results cannot be expected; the economic and social development of the Territories raises many long-term problems, and in most cases measures taken will only bear full fruit after a considerable lapse of time. The results so far obtained, the nature of the studies carried out, and the interest which they have aroused, would seem to indicate that the road followed so far is the right one, and arc an encouragement to all concerned to continue in the same direction.