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Reply to the Third Report of O.E.E.C.

Report¹

Committee on Economic Affairs and Development

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Draft Reply to the Third Report of the Organisation for European Economic Cooperation

1. The Consultative Assembly of the Council of Europe wishes first of all to express its conviction that the crux of present-day economic problems lies in the monetary sphere. Whilst European recovery depended at first on increasing production, and there was reason just after the outbreak of the Korean war to believe that certain industries might be paralysed by shortages, the main problem at the moment is a monetary one. Difficulties in the balance of payments have jeopardised some of the results achieved in connection with the freeing of trade, and it is those same difficulties which are now holding up progress towards the establishment of a single market, which is the long-term aim of European economic policy.
2. The Consultative Assembly therefore wishes to draw attention to certain guiding principles :
 - a. It is quite clear from the experience of recent years that an essential pre-requisite for the development of international trade is the internal financial stability of the participating States. It is in the interest of all States that each should maintain its internal financial stability and for this purpose, when the internal financial position of a Member State threatens to deteriorate, the Managing Board of E. P. U. should have the right to investigate its difficulties and to recommend the necessary steps to be taken before other Member States are affected.
 - b. E. P. U. has played a vital part in the development of trade between its members, and the importance of this institution fully justifies the sacrifices that Member States must make if they are to strengthen its reserves. Particular attention must be devoted to the special situation of persistent creditor as well as that of persistent debtor countries. Moreover, in the long run it will be necessary not simply to maintain the powers of E. P. U. but to extend their range. Being the organ coordinating the monetary policies of its member countries, the Union should gradually become a real European monetary authority.
 - c. No steps to facilitate the movement of short-term capital are possible in the long run unless the movement of medium- and long-term capital is made easier at the same time. The position of the persistent debtors to E. P. U. is not likely to improve unless those countries can obtain the capital they need for their development. Moreover, now that the various Specialised Authorities are taking shape one after another, it is important that the allocation of capital to different sectors of the European economy should be governed by a broad view of its needs; the Consultative Assembly wishes to emphasize here the extent to which a European Investment Bank would contribute to the achievement of such an objective.
 - d. Where the more general problems of foreign exchange policy are concerned, greater flexibility should be restored to monetary systems. Thus the re-opening of future markets and the quotation of exchange rates on the stock exchanges of each country would help to facilitate the return to free convertibility which many Governments have stated to be their aim, but which can only be permanently achieved by coordinating the monetary policies of all Member countries of E. P. U.
3. Such a policy also presupposes the cooperation of the countries of the dollar area, and the Consultative Assembly therefore welcomes the closer association of the United States and of Canada in the work of O. E. E. C. The Assembly, nevertheless, notes with concern the persistence of the European dollar deficit, and the increasing obstacles placed in the way of European exports to the United States. A growing number of American industrial and agricultural producers are in fact demanding that the tariffs protecting them should be raised under the escape clause of G. A. T. T. Such a development would seriously jeopardise the interests of Europe and the balance of world trade. Indeed, Europe can only pay for the commodities which she has to import from the dollar area if that area accepts European products in exchange.
4. Under present conditions Europe must therefore expand to the utmost the production on her own soil of goods which she has hitherto been able to obtain from the dollar area. This effort must be made more especially in two key industries : that of coal, in which Germany and England are in a position to make a most important contribution, and that of agricultural production, in which an intense effort on the part of all Member States will be necessary in order to raise production to the required level.
5. Overseas countries having constitutional ties with European States and participating through them in E. P. U. should also consider the possibility of carrying out a similar policy and of increasing systematically the output of those goods likely to save dollars or to earn them.
6. Finally, it would be wise to reconsider the whole trade policy hitherto pursued towards the countries of Eastern Europe. Restrictions imposed for military reasons should be confined solely to trade in those commodities which are of really strategic importance. No effort should be spared to promote trade with the Eastern countries to the mutual benefit of all concerned.