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## Issue of a Defence Loan

### Motion for a recommendation

tabled by Mr Léon MACCAS and other members of the Assembly

#### Explanatory Memorandum

It may be asked why there should be a Defence Loan rather than a loan for the purpose of assisting economic recovery and meeting expenditure on social welfare, since funds are as essential for these purposes as for that of defence. Such a loan, it will be said, would gradually serve to increase the funds available to the national budgets and, by relieving them of the charges for economic and social reconstruction, would enable them to meet defence needs unaided.

We do not share this point of view.

The question on our Agenda is that of the establishment of a European Army. It is desirable that this Army be formed with all possible speed. Priority must be given to meeting this need.

We also feel that a Defence Loan would have better prospects of success from a psychological point of view.

Then, again, the administering of a Defence Loan by the Board of Commissioners of E. D. C. would be a comparatively easy task; it would be a simple matter to fix the quota for each State and the conditions governing its use.

On the other hand, economic needs and social policy are liable to fluctuations and a thousand and one contingencies, as well as varying from one country to another, owing to differing conditions. The apportioning of the common funds would be a difficult task likely to give rise to dispute. Finally, it would, above all, be difficult for the Central Fund to keep pace with the many uses to which the funds might be put and to exercise a supervision which, if it is to be really effective, must needs hamper the speedy utilisation of the credits granted. Moreover, would it ever be really effective? Any mismanagement of a Common European Loan would have most serious consequences.

Under certain circumstances, moreover, it might be possible to obtain loans for economic recovery from other sources. Internal loans might meet the case. That, in fact, is the purpose of the internal loan contemplated by the French Government. The two loans would, in fact, be complementary.

For these various reasons, and with reference to a suggestion made in March, 1952 by M. Argyropoulos to the Committee on General Affairs—which suggestion was taken up by M. Margue, Rapporteur of the Committee, in his report on the European Defence Community (4th Session, 1952; Document 6) of 20th May, 1952—with reference also to the text of the Memoranda by M. Argyropoulos, forwarded to the Committee on General Affairs, 13th May, 1952, concerning the issue of a collective loan for European Defence; we beg to submit the following motion for a Recommendation.

#### Motion for a Recommendation

The Assembly,



Considering that it is desirable to find a solution to the two-fold problem of armaments and economic and social recovery without giving priority to either; and to relieve the national budgets, which out of normal resources or even by increased taxation are unable to provide the necessary funds for this dual purpose;

Being of the opinion that, since national loans do not offer adequate guarantees, they would not easily be covered;

that, moreover, transfers of appropriations from national budgets to the budget of E. D. C. would be manifestly inadequate to expedite and complete the manufacture of the necessary armaments,

that it is essential to respond to the appeal of the United States that we unite and help ourselves in order that they may continue their aid; and that it will prove easier for the President of the United States, whether he be the present holder of that high office or his successor, to overcome the resistance of certain political circles and of American public opinion, if Europe makes some gesture of solidarity, the proposed Common Defence Loan being not regarded as a substitute for American aid, but as supplementary to it and permitting its continuance;

that it is essential to make such a gesture of solidarity, which may lead other European nations to join E. D. C,

Recommends to the Committee of Ministers the issue by E. D. C, in accordance with the conditions set forth below, of a Common Defence Loan in dollars, gold, or a European currency yet to be created;

- a. The main purpose of the Loan shall be to defray a considerable proportion of the military expenditure incurred within each country, and, consequently, payable in the currency of that country.
- b. A five-year plan shall be drawn up, financed by the total amount of the Loan, which shall be redeemable at long-term.
- c. The Loan Bonds, payable in hard currency will give subscribers full security. The latter will be permitted to pay the whole or part of their subscription in their own national currency, since the Loan will be mainly used to meet expenditure in each national currency.
- d. Payment of interest and redemption can be effected in national currency, but at the true exchange rate, to be defined at each due date. Special revenue funds set aside for the servicing of the Loan would give complete security to subscribers.
- e. In order to promote its success, the Loan should be supported by the Member countries of the Atlantic Treaty, especially the United States and Canada.
- f. The full amount of the Loan shall remain in the Federal Fund, which will pay out the necessary annual sums to each national Exchequer. It is, however, essential that the Commissioners of E. D. C. be responsible for administering the Fund, regulating its distribution, supervising the way in which its funds are used and auditing its accounts.

*Signed (see overleaf)*

*Signed:*

MACCAS Léon, Greece