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Report

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1. Introduction

1. This survey for the Council of Europe has been compiled by the O. E. E. C. in preparation for the third part of the Fifth Session of the Consultative Assembly.

2. The first part outlines briefly the general economic trends in O. E. E. C. member countries. The main body of the report is devoted to trade and payments questions. Part Two, dealing with trade, is supplemented in Annex II by a detailed review of the position reached in the liberalisation of intra-European trade. Part Three, concerning financial problems, is supplemented in Annex by the Third Report of the Managing Board of the European Payments Union. - Part Four consists of a survey of the principal activities of the O. E. E. C. in other fields during the past year.

2. CHAPTER I

2.1. Summary data on economic development* in member countries in 1952-53

Industrial production

3. Apart from seasonal variations and from significant differences between countries, industrial production in OEEC countries as a whole had remained stationary for over a year but was improving slowly in the second quarter of 1953. The statistics available indicate an increase in industrial production during the second quarter of 3 % compared with the corresponding period for 1951, and 5 % compared with that of 1952.

4. The greatest improvement in industrial production relates to consumer goods, especially in the textiles industry, in which the deterioration in 1952 had been greatest. On the other hand, there are signs of a decline in the basic metals sector, in which progress since 1950 had been greatest.

Index of industrial production in OEEC member countries as a whole - 1950 = 100

Total industrial production	Food	Textiles	Basic metals	Metal processing	Chemicals	
1st quarter 1951.	109.0	94.0	109.0	111.3	111.3	114.3
2nd quarter 1951.	112.7	98.3	109.3	120.0	116.0	119.7
3rd quarter 1951	104.3	95.0	94.3	112.3	107.3	115.7
4th quarter 1951.	114.0	119.7	102.3	120.3	115.7	118.0
1st quarter 1952.	113.0	94.7	97.7	123.7	121.3	117.7
2nd quarter 1952.	110.7	102.7	87.3	126.0	123.0	110.3
3rd quarter 1952.	104.0	99.0	83.3	116.3	112.7	104.7
4th quarter 1952.	116.3	122.0	103.3	126.3	124.3	117.7
1st quarter 1953.	114.3	98.7	101.0	119.3	123.0	121.3
April	116.0	105.0	102.0	119.0		
May	17					
June	16					

5. The increase in production during the first few months of 1953 was most marked in Germany which, together with France, was the only country to have increased its production in 1952, and in the Netherlands and Italy, where it had been stagnating in 1952. Production in the United Kingdom during the first five months of 1953 was higher than during corresponding periods of 1951 and - During the first few months of 1953 production fell in France, Belgium and Austria, as compared with the same period of 1952; in the latter country

and Belgium an improvement has been recently noticeable. - Already in the fourth quarter of 1952 there was a distinct recovery in industry in the United States, and, since March 1953, a record level has been reached. During the second quarter of 1953 production was 10 % higher than in 1951 and 1952.

6. In this table Member countries are arranged in order of percentage increase in industrial production during the first five months of 1953, as compared with the corresponding period of 1952.

Percentage increase or decrease in industrial production in the various member and associated countries

Countries	1952 as compared with 1951	Jan./May 1953 as compared with Jan./May 1952
Netherlands	+1	+11
Germany.	+8	+8
Italy	+1	+7
United Kingdom	-4	+2
Denmark	-5	+3
Norway	+1	+1
Sweden	-1	0
Greece	-1	-2
Belgium	-3	-31
France	+4	-5
Austria	+1	-6
Canada	+ 3	+ 11
United States	0	+ 11 1
1. January/April.		

External trade

7. The value of external trade in the metropolitan territories of member countries has declined since 1952. Imports during the first five months of 1953 were 11 % lower than during the corresponding months of 1952, while exports were 7 % lower. The decline in the value of external trade is very largely due to the altered trend in prices, which have steadily fallen since 1952. The average value index for imports shows a decline of 9 % and that for exports a decline of 7 % , between the first quarter of 1952 and the first quarter of 1953, so that during this period the volume of external trade fell by only about 2 %, which means that the terms of trade have developed favourably.

8. On the other hand, in the metropolitan territories of member countries as a whole, the trade balance with the rest of the world showed an improvement. Whereas in the first quarter of 1952 there was a total deficit of \$1.607 million, in the first quarter of 1953 it was only \$1,195 million. Of the difference of \$412 million, \$300 million is accounted for by the fall in prices

9. Imports from North America to the metropolitan territories of member countries reached a peak during the first quarter of 1952 but have since declined sharply, whereas exports since the third quarter of 1952 have risen. During the first five months of 1953 imports fell short of the corresponding figure for 1952 by 35 % , while exports were 20 % higher. Thus, the trade deficit with the United States and Canada was reduced from \$1,713 million during the first five months of 1952 to \$597 million during the corresponding five months of 1953, a reduction of 81,116 million.

Foreign trade of member countries combined - Value : S U. S. 1000,000. -Index : 1950 = 100.

1952						
1st quart.	2nd quart.	3rd quart.	4th quart.	1953 1st quart.		
Total trade :	Exports f.o.b.	7,247	6,620	6,258	7,019	6,518
Imports c.i.f.	8,894	8,159	7,343	7,904	7,745	
Index of volume :	Exports	112	105	102	116	109
Imports	113	106	100	111	111	

1952						
1st quart.	2nd quart.	3rd quart.	4th quart.	1953 1st quart.		
Index of average value :	Exports	130	128	124	122	121
Imports	131	129	123	119	119	
Terms of trade.	99	99	101	103	102	
Intra O. E. E. C. trade :	Exports	3,361	3,123	3,103	3,510	3,249
Index of volume.	105	100	103	118	112	
Trade with North America :	Exports	557	550	576	670	634
Imports	1,655	1,458	1,169	1,113	1,047	

Wholesale prices, cost of living

10. Wholesale prices in most member countries reached a peak between the end of 1951 and the early months of 1952. The subsequent trend has steadily been downward, and during the first six months of 1953, prices in most countries have been lower than during the same period of 1952.

11. Prices of a great number of raw materials also declined sharply. The index of raw material prices, calculated on the basis of imports into member countries dropped by 5 % between the first half of 1952 and the first half of 1953.

12. The cost of living in most countries has remained stable since the second half of 1952. Fluctuations as recorded by the indices have generally been very slight.

Variations in the cost of living and wholesale prices

Cost of living Country	Wholesale prices			
	1st six months of 1953 compared with 1st six months of 1952	1st six months of 1953 compared with last six months of 1952	1st six months of 1953 compared with first six months of 1952	1st six months of 1953 compared with last six months of 1952
Austria	—5	—5	—7	—4
Belgium		—1	—1	—9
France	—0.5	+0.5	—6	—2
Germany	—1	—0.5	—3	—3
Greece	2	+3	+4	+8
Iceland	0.5	—2	n.a.	n.a.
Ireland	+9	+2	+1	0
Ireland	+9	+2	+1	0
Italy	+3	+1	—0.5	0
Netherlands	+1	+1	—5	—2
Norway	+4	0	+2	—2
Portugal	+1	+1	+5	+1
Sweden	+1	0	—6	—4
Switzerland	—1	—1	—4	—2
Turkey	+2	+1	+2	+4
United Kingdom	+4	+2	—0.5	+1
Canada	—2	—1	—4	—1
United States	(+1)	(0)	—2	—1

() Provisional.

3. CHAPTER II

3.1. *Intra-European trade in 1952-53*

13. In spite of the import restrictions imposed by the United Kingdom and France, trade between OEEC countries remained fairly stable in value after the first quarter of 1951, at a monthly figure of about \$1,100 million. Since the third quarter of 1952 there has been a slight increase in volume of trade between OEEC countries. In the first quarter of 1953 this was 3 % lower in value than during the corresponding period of 1952, but 4 % higher in volume.

14. Liberalisation of intra-O. E. E. C. trade as a whole has continued to make further progress. The global percentage of liberalised private trade could be raised from 61 % to 70.3 % from July 1st 1952 to July 1st 1953, as measured on the basis of 1948 values. The value of liberalised trade now reaches 5,900 million dollars (at 1948 values).

15. To assess the position with regard to the liberalisation of trade in the various European countries it is necessary to consider first, the trend in each Member country, second, the position reached in respect of each of the main categories of commodities, and third, the problems involved in any further progress towards liberalisation.

3.1.1. Changes in the position of the various member countries with regard to the policy of the liberalisation of trade

16. In relation to the liberalisation of trade, Member countries fall into three main groups. The first is that of countries which are creditors in the E. P. U. and have freed more than 75 % of their imports. The second is that of countries which are debtors in the E. P. U. and have maintained a liberalisation percentage of about 75 %. The third category is that of countries which are debtors in the E. P. U. and have freed less than 75 %, or have suspended liberalisation.

17. The first group consists of seven countries (Italy, Portugal, Netherlands, Sweden, Switzerland, Germany, B. L. E. U.), which have achieved very high liberalisation percentages ranging from 87.2 % to 99.7 %. In 1952 imports into these seven countries from member countries accounted for 52 % of total intra-European trade. It should be noted that in the course of the year, Italy's position in the E. P. U. rapidly deteriorated, and the country ceased to be a creditor as from 30 th June, 1953.

18. The second group consists of three countries: Denmark, Ireland and Norway, whose liberalisation percentages approximate very closely to 75 %. Imports into these three countries from Member countries account for approximately 11 % of total intra-European trade in 1952.

19. The third group includes, first, the United Kingdom, whose imports from member countries in 1952 represented 20 % of total intra-European trade. Although still heavily in debt to the E. P. U., this country recently raised its percentage of liberalisation of imports from approximately 45 % in 1952 to 58.5 %, as from March, 1953.

20. Lastly, there are four countries in which there is no liberalisation: France, Turkey, Iceland, and Greece. Together they accounted for 15 % of total intra-European trade in 1948, but, although in the case of three of them imports were subject to quotas throughout 1952, their total imports from member countries in that year amounted to 17 % of total trade. In the case of Greece, a fairly general system of liberalisation has been introduced during the past few weeks, in association with various steps towards financial rehabilitation, but as the new system is experimental, the O. E. E. C. has not been officially notified of it. Austria which had not liberalised until July 1st, 1953, has since freed 35 % of her private imports (percentage based on 1952 imports)

21. Although under the code the minimum percentage of liberalisation has been fixed at only 75 % of 1948 imports on private account, seven countries, together representing more than 50 % of intra-European trade, have unilaterally freed a much higher percentage of their imports. This achievement is all the more notable as at the same time some of their trade partners, and not the least of these, were obliged to maintain or to introduce quantitative restrictions because of the difficulties they were encountering. This affords a very remarkable example of co-operation.

Position of liberalisation according to commodities

Raw materials

22. Raw materials accounted for 36 % of total imports on private account in 1948, and the overall liberalisation percentage is now 75.2 % for member countries as a whole. Excluding those countries which have totally suspended liberalisation, the percentage would not be far short of 100 %, as with very few exceptions the remaining countries have wholly freed this sector. This is true of the B. L. E. U., Italy, Switzerland, the Netherlands, Sweden, Germany, Denmark and Ireland. In other words, payments difficulties are in most cases the only remaining obstacle to complete liberalisation. If the financial position of certain countries could be restored, complete liberalisation should be attainable.

Manufactured goods

23. In the category of manufactured goods, representing 44 % of total private imports in 1948, the overall percentage of liberalisation is 71.5 % , and seven countries (Italy, Switzerland, Germany, B. L. E. U., Sweden, Netherlands, Portugal) have reached liberalisation percentages ranging from 88 to 100 % . Taking total imports of manufactured goods in 1948 in the seven countries which have reached an overall percentage of liberalisation distinctly higher than 75 % , it is found that \$1,825 million out of a total of \$2,000 million have been freed, i. e. approximately 90 % . For a variety of reasons this percentage is subject to caution. For instance, imports are few or non-existent in the case of some products precisely because they have never figured on the free list, or are subject to prohibitive rates of duty. While there may be other factors exerting an opposite influence, the percentage of non-freed trade is likely to be potentially higher than 10 % . The figure is not without interest, however, since it gives some measure of the magnitude of the progress accomplished by Member countries in this field as well as of the further effort required to achieve complete liberalisation, especially in view of the fact that the commodities that remain to be freed are those whose liberalisation would involve the greatest difficulties.

Food and agricultural products

24. The rate of liberalisation achieved by Member countries as a whole in the food and agricultural products sector, which accounted for 20 % of intra-European trade on private account in 1948, is not so high as for the other categories of products (60.6 %) . Generally speaking, it will be noted that the relation between the position of each country in the E. P. U. and the liberalisation percentage reached by that country is less clearly marked in this category of goods than in the other two. For instance, a similar calculation to the one made in the preceding paragraph with regard to manufactured goods, gives approximately 75 % as the percentage of food and agricultural products freed in the seven countries with an overall liberalisation percentage in excess of 75 % . In the case of these seven countries, which have no balance of payments difficulties, the total value of non-freed imports on the basis of the 1948 figures represents 25 % of their total imports of food and feeding stuffs. Again, these percentages are subject to caution. In particular, allowance must be made for the fact that the various calculations refer only to private trade, whereas a substantial number of commodities in this sector are imported on government account.

25. At all events, this sector is the one in which progress towards liberalisation has been slowest. The factors militating against liberalisation in the various Member countries are well known. Political and social considerations, which are responsible for the maintenance of quantitative restrictions on many industrial products, are very widely invoked in the case of agricultural products too, together with considerations affecting the internal economic stability of each country. The magnitude and gravity of the problems that might arise in certain member countries if food and agricultural products were freed are obvious.

Invisible transactions

26. Since the last survey was presented to the Council of Europe by the O. E. E. C, great interest has been shown by Member countries in the possibility of relaxing regulations concerning invisible transactions. Hitherto the liberalisation of such transactions in accordance with the decisions of the O. E. E. C has only concerned current transactions. Member countries believe, however, that what is required now is a careful survey of the possibility of relaxing regulations governing movements of capital.

27. As regards the liberalisation of current transactions, the O. E. E. C. has recently taken a decision covering air transport, motor insurance and repairs to shipping. In future, receipts from the sale of international airline tickets, excess luggage charges and so on, may be freely transferred to the head offices of the airline company. In addition, transactions and transfers relating to operating costs and general overheads, including repairs, will also be free; furthermore, the Organisation has decided that member countries should authorise payments in local currency by their own nationals or nationals of other member countries residing in the country concerned for inland journeys in member countries or their overseas territories. The definition of

repairs to shipping, for which permits or transfers are to be granted freely, has been enlarged to include all repairs except reclassification, conversion or other substantial repairs. Similarly, transfers of benefits payable in respect of motor-car insurance are being freed.

28. It should be noted that, with regard to transactions which it has been decided to free, the 26 reservations entered by A'arious countries in 1951 have now been reduced to 10, and the German Government, which raised most of them, stated at the last meeting of the Council of the O. E. E. C. that it hoped to be able to withdraw some of its reservations in the near future.

General conditions for further progress

29. Undoubtedly, the results achieved will remain precarious so long as two of the largest markets, namely France and the United Kingdom, are unable to attain a high level of liberalisation. Moreover, if this fundamental condition is not fulfilled, the planning and achievement of further progress towards general freedom of trade would be bound to remain illusory.

30. If the policy of liberalisation is not applied on a wide basis of reciprocity, countries which have introduced a considerable degree of liberalisation, thus conferring a multilateral character on their trade, incur certain risks, their exports to other member countries encounter obstacles arising from quantitative restrictions which they themselves have abolished. By applying a high percentage of liberalisation, they deprive themselves of bargaining counters. - Lastly, they may find themselves at a disadvantage in their relations with other member countries, as compared with a third country practising bilateralism on the basis of barter agreements. Countries which have reached a lower percentage of liberalisation, or have suspended liberalisation, may in fact be tempted to buy from such countries rather than from trade partners with a high percentage of liberalisation.

31. The principle of reciprocity—an essential condition for the success of the policy of liberalisation—must also be applied in other fields than that of the abolition of quantitative restrictions on trade e. g. it must apply to customs tariffs, invisible transactions, etc.

32. Finally, it is obvious that any further expansion of the liberalisation of trade demands a smoothly-running intra-European payments system and sound financial conditions in each member country.

4. CHAPTER III

4.1. Problems concerning payments

33. The 1952-1953 period showed a certain improvement on the two previous years and the extreme positions of various member countries in the Union were in many cases reduced. Accordingly, the positions of member countries raised fewer problems and the technical operation of the Union was easier.

4.1.1. Brief account of the operations of the union in 1952-1953

34. If the position has improved it is chiefly because the problems raised by extreme creditor positions have become less acute. In this connection, it should be noted that at the end of the 1952-1953 period the "rallonges" to certain creditor quotas established at the beginning of the period had generally only been used in part. In particular, the extreme creditor position of Belgium was reduced. Although certain countries such as Germany, the Netherlands and Switzerland continued to strengthen their creditor positions in the Union, their surpluses remained well within the limits provided in the Agreements. By the end of the period Italy had ceased to be an extreme creditor and had even begun to show a deficit.

35. The problems of debtors, on the other hand, have not lost their urgency. Certain debtors have undoubtedly made progress and, in particular, the United Kingdom has ceased to be an extreme debtor and has thus been able during the year to relax quantitative import restrictions to some extent. But France's position in the Union has shown no improvement, although its commercial deficit is lower than in the previous period. France's extreme debtor position increased considerably during the year with the result that the level of imports had to be further reduced. - Austria and Greece improved their positions considerably, but Turkey was obliged to suspend liberalisation measures in the course of the year.

36. The inadequacy of monetary reserves, which in relation to the volume of foreign trade are for many countries much lower than before the war, presents a serious obstacle to the achievement of a sound financial position. It must also be noted that so long as debtor countries make no adequate effort to improve their internal financial situation, the expansion of capital movements which would help to restore the balance of payments and would increase productivity in member countries, will encounter serious difficulty.

37. Lastly, it should be noted that many trade restrictions imposed for reasons other than balance of payments considerations may, if continued on a large scale for any length of time, prevent the countries imposing them from achieving a sufficiently competitive position to enable them to make rapid progress towards greater freedom of payments.

Amendments to the agreement on June 30th, 1953

38. The competent bodies of the Organisation are at present carrying out the mandate received from the Council of Ministers on 24th March, 1953, under which they were to make proposals regarding the procedure to be followed in order to study how and under what conditions an orderly transition from the present form of the European Payments Union to a wider multilateral system of trade, payments and credit, could be achieved. Apart from any reforms to which these studies might lead, the Organisation, when renewing the Agreement establishing the E. P. U. for a further year, decided to propose certain amendments to the existing provisions. The decisions taken in this connection chiefly concern interest rates and certain points relating to quotas.

39. With regard to interest rates, it was considered that the policy of the Organisation should in principle be based mainly on two considerations : first, the desirability of allowing market rates of interest to influence the economic and financial positions of Member countries : and second, the need to balance the Union's receipts and expenditure on account of interest payments. In accordance with these principles, it was decided to raise slightly the general level of interest rates applicable to credits granted to or by the Union and to step up the progression of interest rates in proportion to the period of credit in the case of credits granted by the Union to debtors. It was also decided that interest rates would be reviewed every three months, so that it might be possible to adjust them in relation to market conditions insofar as the position of the interest account of the Union might permit.

40. As regards quotas, it was decided, in the light of the data available to the Organisation and the countries concerned, that provision should be made for the settlement for any post-quota surpluses prior to 1st July, 1954 up to the following amounts : - B. L. E. U., 75 million units of account; Germany, 150 million units of account; Netherlands, 100 million units of account; Portugal, 55 million units of account; Switzerland, 125 million units of account - and that, within the limits of the above-mentioned "rallonges", surpluses would be settled half in gold and half in credit. - Moreover, the Organisation decided to continue to block the Greek debit quota but not to re-block the Austrian debit quota.

Future problems

41. Managing Board of the European Payments Union considered during the year how the machinery and operation of the Union might possibly be improved. These improvements were intended to enable the Union to render greater service to its members and to help them to establish the conditions which would permit them, in co-operation with Member and associated countries, and the other countries of the British Commonwealth, to restore convertibility and to complete, as soon as possible, the desired transition from a regional system to a world system of convertibility and free trade.

42. As regards the actual machinery of the Union, the Managing Board has studied and is still studying various possible changes in the operation of the Union and, in particular, proposals to alter the amount of the quotas of Member countries, to provide for the amortisation of credit granted and received by Member countries within the Union, to alter the percentage of gold payments provided for the settlement of deficits within the quotas and surpluses beyond the quotas, and to alter the rates of interest on credits granted to or by the Union.

Problems of convertibility

43. During the past year, the Managing Board has also considered problems relating to convertibility and, in particular, ways and means of facilitating the transition from the present regional system of payments to a system of convertibility. In this connection, the Managing Board has held very full exchanges of views with the

United Kingdom experts on the international plans of action drawn up in collaboration with the Commonwealth countries with a view to establishing the necessary conditions for greater freedom of trade and payments and the restoration of sterling convertibility.

44. The Managing Board of the Union has devoted particular attention to the problems which might arise if some European countries made greater and more rapid progress than others towards convertibility of currencies and complete freedom of trade. The EPU machinery has made it possible to achieve nondiscrimination in trade; while the automatic grant of international credit facilities has allowed liberalisation to progress more rapidly than it could have done if each Member country had had to rely solely on its own resources. In the opinion of the Managing Board, it would be highly regrettable if the general advance towards convertibility and liberalisation of trade throughout the world were to compel certain Member countries to impose further restrictions, probably of a discriminatory nature, on their trade with other Member countries. For this reason it is essential to find some means of avoiding this contingency and ensuring that all countries continue to benefit from the advantages of a European system of liberalisation of trade as long as they are not in a position to take part in a wider system.

Relations with the International Monetary Fund

45. Another important point which occupied the attention of the Organisation during the past year was the question of relations between the E. P. U. and the International Monetary Fund. The Organisation is glad to report some progress in this field. A representative of the Fund has attended a number of meetings of the Managing Board, in particular those devoted to the consideration of problems involving both institutions. The Organisation hopes that this co-operation will be continued in future, that it will enable the operation of the Union to be improved and that it will prove an important factor in any further advance towards convertibility.

46. It seems probable that in 1953-1954 close co-operation with the Monetary Fund will be more essential and more readily attainable than in previous years. It will be more essential because further progress towards intra-European liberalisation of trade and the relaxation of restrictions on dollar imports may cause some difficulty to member countries owing to their inadequate gold and dollar reserves. Moreover, co-operation with the International Monetary Fund should be easier because as the internal financial situation and the balance of foreign payments of Member countries improve, the International Monetary Fund will be better able to assist them by measures within the spirit and the letter of its Articles. In particular, the decisions recently taken by the Fund on the use of its resources and the possibility of stand-by arrangements seem to indicate the line which might be taken in solving some of the problems with which certain Member countries may be faced.

5. CHAPTER IV

5.1. Activities of the organisation in various fields

5.1.1. International financing of investment in Europe

47. The Organisation has frequently stressed the importance of the international financing of investment in Europe. The report on international investment published in 1950 discusses the question as a whole but refers more specifically to investment by non-member countries, in particular the United States. A second study published in 1951 and entitled "Intra-European Investment" dealt more especially with the investments of OEEC countries in other member countries or in their overseas territories. In 1951 the Organisation also published a report on "Investments in Overseas Territories in Africa South of the Sahara".

Intra-European Investment

48. During 1952-53 a Working Party, set up as a result of a recommendation in the Report on Economic Expansion of 28th March, 1952, studied a number of proposals regarding specific mechanisms designed to facilitate the expansion of intra-European investment. During this survey the Working Party considered in succession the following proposals: the setting up of a European Investment Bank with a capital of its own subscribed by the Member Governments; ways and means of expanding the activities of the International Bank for Reconstruction and Development in member countries; and the establishment of a European mechanism to facilitate the raising of loans with special guarantees and advantages.

49. Having finally agreed on a compromise solution the Working Party proposes the setting up within the O. E. E. C. of an "Advisory Investment Board" in which the I. B. R. D. would be invited to participate. This Board would take the form of a co-operative body in which member countries who wished to do so could consult

freely among themselves on problems connected with the intra-European financing of investment projects in the member countries and their overseas territories. Subject to the approval of the countries concerned, the Board could discuss any solutions likely to promote the expansion of intra-European investments by suitable financing methods, for instance : the issue of loans embodying special features and backed by special guarantees. In addition, the Board would submit periodical reports to the Council on the problems discussed and the solution proposed.

50. At its meeting of 29th July, 1953, the Council of O. E. E. C , without expressing any opinion as yet on the substance of the proposal, considered that the Working Party should proceed to elaborate this proposal and submit specific suggestions regarding the terms of reference and membership of the proposed Advisory Board. At the same time, the Council has decided that a procedure should be established in order to study what concrete measures could be taken in order to remove or reduce obstacles to capital movements among Member Countries and their associated monetary areas.

American investment

51. In February, 1953 the Organisation decided to undertake a further study of the problem of American investment abroad. The purpose of this study, which is at present under way, is, first, to bring the 1950 report up to date and, second, to consider what recommendations might be made to Member countries in order to facilitate the development of private dollar investment in these countries and their dependent overseas territories

Selective expansion of production

52. Since its inception the O. E. E. C. has given active consideration both to the level of production in metropolitan member countries and in their overseas territories and to the policy to be followed in order to maintain a steady expansion of production likely to achieve equilibrium with the outside world, to meet the requirements of the defence effort and to permit a high and ever-increasing standard of living. A further advance in this field of activity was marked on the occasion of the Fourth Report by the discussion of the need for selective expansion and the factors governing selection. In order to determine the specific sectors in which the expansion of production is particularly desirable, the Council instructed a Working Party to work out in detail the policy of selective expansion recommended in the Fourth Report.

53. As stated in the mandate received from the Council, the Working Party has two main tasks : first, to propose a list of commodities or sectors to the Council; secondly, to define in each case the problems which might arise from the possible expansion of production and to make practical recommendations regarding measures likely to solve these problems. In order to make their selection, the Working Party will study whether an expansion of production in the sectors in question :

- a. would enable member countries to earn or save dollars;
- b. is particularly necessary to remove bottlenecks in certain industries;
- c. is an important factor in increasing the standard of living;
- d. is likely to promote the harmonious development of new industries. Apart from considerations relating to the importance of the development, the Working Party will also take account of the cost of such expansion.

54. After preliminary discussion, the Working Party submitted questionnaires to the interested technical committees concerning the commodities which it thought ought to be selected in the first place. The answers to these questionnaires should make it possible to apply the above criteria to the various commodities. Questionnaires have been sent to the Food and Agriculture, Coal, Timber, Pulp and Paper, Textiles, Non-Ferrous Metals, Chemical Products and Electricity Committees. There is also some question of an enquiry on the expansion of the mechanical and electrical engineering industries being undertaken in the near future by the Machinery Committee.

5.1.2. Work of the Overseas Territories Committee for 1953-54

55. In the course of the past year, the Overseas Territories Committee has carried out the following studies.
- a. the problems of energy in the Overseas Territories (report published in May, 1953);
 - b. the organisation of local production in the DOT's;

- c. the problem of increasing the utilisation of tropical timber (study by a Group of Experts under a mandate from the Timber Committee and the D. O. T's Committee);
- d. the cultivation of groundnuts in West Africa (report of the Technical assistance Mission published in June 1953);
- e. problems of mechanising agriculture in the D. O. T.'s.

56. The programme of the Overseas Territories Committee for 1953-54 concentrates on the study of measures to increase the exports of overseas territories in order to improve the balance of payments of the EPU area with the dollar area. This development of production for export relates mainly to basic commodities (whether more or less processed) in respect of which the overseas territories have special natural facilities. These enquiries are to be followed by recommendations on the measures to be taken to increase the output of a number of commodities, selected both for their importance to the economy of the Overseas Territories and the opportunities they would give for earning or saving dollars.

57. The Committee has begun its work by taking stock of the present stage of development of the main sectors of production and their exports to the various markets; at the same time, it undertook to review the expansion programme in course of implementation. When these preliminary studies have been completed it will determine jointly with the Working Party of the Council on selective expansion of production the commodities for which a greater production is desirable. The Committee will subsequently endeavour to define the possibilities of expanding the production of these selected commodities in the light of the conditions peculiar to each territory, of the investments required, the pattern of trade for each product, the general economic policy of the territories themselves and the political and economic systems with which they have special relations.

Manpower

58. The Organisation has continued its various enquiries on the use of manpower and the strengthening of manpower services. The enquiry on the operation of manpower services in certain member countries (Belgium, France, Germany, Italy, Sweden, Switzerland, United Kingdom) which the Organisation had decided to entrust to two experts, has been completed, and a meeting of responsible officials from all Member countries has been called to consider detailed proposals for improving the services arising out of the experts' report. - Another enquiry which the Organisation had decided to undertake on population trends in Member countries is proceeding. - Similarly, the Manpower Committee continues to give active attention to problems of vocational training, in conjunction with the Council of Europe and the I. L. O.

59. Progress of some importance has been achieved in the liberalisation of manpower movements between Member countries. A group of experts has agreed on proposals to be submitted to the Council regarding the adoption of uniform rules for the employment of foreign workers. It is hoped that these proposals will be submitted to the Council in the autumn.

60. In order to associate employers' and workers' organisations more closely with its work in this field, the O. E. E. C. has decided to set up a Joint Consultative Group on Manpower Utilisation, to include six delegates from the Manpower Committee representing Governments, three delegates from the Council of European Industrial Federations representing employers and three delegates from the E. R. P. Trade Union Advisory Committee representing workers. - Moreover, in view of the special importance attached by the Council of Europe to manpower questions, the Secretariat of that Organisation has been invited to send a permanent representative to the meetings of the Manpower Committee of the O. E. E. C. The activities of both institutions in the field of manpower were recently reviewed at a meeting of the Liaison Committees, which was attended by members of the Committee on Population and Refugees and the Committee on Social Questions of the Consultative Assembly.

Inland transport

61. In 1950 and 1952, two European missions organised by the O. E. E. C. visited the United States, under the so-called Technical Assistance Programme, to study the organisation of inland transport. To follow up these two missions, the Council decided to convene, under the auspices of the O. E. E. C., a conference on European Inland Transport, with the following terms of reference :

- a. to study the existing organisation and regulation of international transport by rail, road and inland waterways;

- b. to consider whether they are adequate for the full utilisation of the existing transport system and for its rational development ;
- c. if this is not the case, to make appropriate recommendations.

In addition to the observations of the OEEC Technical Assistance missions, the Conference was also to take into account recommendations on this subject by other international organisations, particularly the Council of Europe.

The Conference opened on 18th March, 1953, the meetings being held at the headquarters of the O. E. E. C. in Paris. All member countries except Ireland and Iceland, which because of their geographical position were not interested in the subject of the Conference, took part together with Spain and Yugoslavia and a United States observer. The Conference heard a series of statements by representatives of international bodies, both governmental and non-governmental and of the E. C. S. C. which had been invited, in virtue of their competence in these matters, to give their views. - After a review of the present position, the Conference surveyed the main transport problems arising at international level. As indicated in the report published on the completion of its work, the Conference considered the present organisation and regulation of international transport and expressed the view that it would be advisable to strengthen the co-ordination of all the factors governing transport policy and to ensure in the international field the adoption and application of the necessary measures under the best condition. The Conference therefore felt that similar meetings to that of the Ministers of Transport from eight countries, held in Paris in January, 1953, should be arranged on a permanent basis, widened to include all the countries represented at the Conference. A number of recommendations to this effect were passed. The Conference considered the main problems involved in the establishment of a " European Conference of Ministers of Transport ", e. g. the aims of such a Conference, its legal status, structure, working methods, relations with international organisations, membership and headquarters. The report of the Conference was sent to the Council of the O. E. E. C. and to the Governments of the countries taking part.

After considering the report, the Council of the O. E. E. C. adopted the proposal to set up a European Conference of Ministers of Transport, together with the recommendations concerning the various questions involved. The Council requested the Belgian Government to invite all the Governments of countries represented at the Conference to a Constituent Conference at Ministerial level to be held in Brussels at an early date - In this connection, the Council expressed the desire that in determining relations between the European Conference of Ministers of Transport and the O. E. E. C. - account would be taken of the tasks entrusted to the O. E. E. C. under the Convention for European Economic Co-operation. - In addition, the Inland Transport Committee has recently been instructed to consider the possibility of abolishing all obstacles to the normal development of passenger transport.

5.1.3. Principal activities of the vertical committees of the O. E. E. C.

62. Apart from special studies, the most important of which will be listed in a later paragraph, most of the Vertical Committees have been primarily engaged in studying :

- a. development of production, as already mentioned in paragraphs 52 to 54;
- b. problems of consumption;
- c. trends in the market situation;
- d. and integration studies by sectors. Since the beginning of 1951 the Vertical Committees, whose terms of reference cover raw materials, have been permanently following trends in the supplies of a number of raw materials and submitting half-yearly or yearly reports to the Executive Committee for the guidance of general policy in Member countries. Thus the Council proposed a prohibition on the use of certain scarce nonferrous metals; the altered position in the textiles industry has recently led to a number of recommendations by the Council to Member countries concerning : use of artificial textiles, analysis of the work undertaken at world level with a view to reducing price fluctuations in textile raw materials, measures to be taken for increasing productivity in production and distribution, retention or re-opening of traditional export markets, and the problems raised by the marketing of Turkish cotton. This procedure is still retained, in spite of the opening of the common market of the E. C. S. C. for the six members of the Community are regarded in this connection as constituting a single country in relation to the other O. E. E. C. member countries. Furthermore, owing to the need to economise Europe's available energy resources, two series of recommendations have been made to member countries for the more efficient use of fuels.

63. The Food and Agriculture Committee has continued to review progress achieved in carrying out agricultural expansion and factors impeding progress or requiring special attention. Its Sub-Committees and specialist Working Parties have been concerned with particular aspects of the problem of increasing output and productivity in agriculture. Experimental work is being carried out for the exchange of information between producer and consumer countries concerning the harvest of fruit and vegetables and trade prospects. The annual report on levels of food consumption in member countries will be issued shortly. Studies have also been carried out on the trends of livestock production and milk utilisation.

64. A number of training courses and meetings dealing with agricultural techniques have been held during the past twelve months. By an agreement recently concluded between M. S. A. and O. E. E. C., a sum of roughly \$500,000 in European currency has been placed at the disposal of the O. E. E. C. for organising 20 intra-European training courses in agriculture, and for developing a service for the exchange of technical information on agricultural subjects between Member countries. The programme will be carried out by the European Productivity Agency.

65. In 1950, the Council instructed several Vertical Committees to undertake sector studies on the implications of economic integration (suppression of all obstacles to trade within the sector). The object of this work was to determine, with the help of a number of sample surveys, to what extent integration by sectors was a suitable method for arriving at the economic unification of member countries. Of the twelve studies entrusted to the Vertical Committees, those dealing with the following industries are now completed : nitrogenous fertilisers, aluminium, wool, motor-cars, textile machinery, electrical equipment, agricultural machinery and tractors.

66. In addition to their general tasks, the Technical Committees are engaged on a number of special studies. For instance, the Coal Committee is proceeding with a survey of the possibilities of regulating the coal market by a suitable stockpiling policy. In this connection, it examines periodically the level of coal stocks in Member countries, and submits to the Council proposals for the measures to be taken.

67. The Maritime Transport Committee has been instructed by the Council to investigate ways and means of increasing dollar earnings in Maritime Transport as a whole. The Committee has stressed the importance of complete freedom of invisible transactions, and has pronounced itself in favour of the abolition of flag discrimination and other discriminatory practices. The same Committee meets monthly with a view to reporting to the M. S. A. on the application of Section III (a) 2 of the Economic Co-operation Act, which stipulates that so far as possible at least 50 % of the gross tonnage of goods bought by means of the funds allocated should be carried in American bottoms.

68. Since 1949, Member countries have kept the Iron and Steel and Oil Committees regularly supplied with detailed information on investments in the iron and steel industry and in oil refineries. In addition, the Third Report on the Co-ordination of Oil Refinery Expansion in Member countries, published in June, 1953, contained forecasts on future trends in consumption and production, showing that except for certain special products European output should be sufficient by 1954 to cover all the requirements of O. E. E. C. member countries.

69. The Machinery Committee has completed its fifth periodical survey of the position in the industries producing heavy equipment for power stations; it has been found that there is a slowing down of orders, especially in relation to the rate at which new equipment is despatched, and electricity companies should therefore place their orders as early as possible, so as to avoid the waste of present unused productive capacity. The Committee also examined under what conditions the extension and consolidation of trade liberalisation of spare parts could be obtained. It stressed the capital importance of free trade in this class of products, which permit of the rational use of machinery. The Trade Committee is now studying the technical report submitted to it on this matter.

70. The Electricity Committee is proceeding with a survey of the allocation between Member countries of any increases in production and consumption, a study of technical measures for reducing the consumption of high-grade coal in power stations, a survey of the European network for the distribution of electricity and a study aimed at constituting in the European electricity industry adequate reserves of fuel to meet any possible future shortages of hydro-electric power. A group of experts set up by the Committee has been instructed to report on the policy of member countries with regard to electricity rates and their repercussions on the possibility of financing new plant.

71. The Working Party for Hides and Skins has submitted a report to the Steering Board for Trade, following instructions from the Council to undertake a technical survey on the possibility of liberalising imports and exports of all products in the hides and skins sectors. The Steering Board for Trade will shortly submit concrete proposals to the Council in this matter.

72. Apart from the work undertaken in the technological field by the Productivity and Applied Research Committee, the Vertical Committees of the Organisation are continuing studies on a number of subjects, amongst which may be cited the pelletising of finegrained iron ores, the consumption of low grade fuels and the standardisation of electrical mining equipment and of equipment in the mechanical engineering industry, the development of the use of tropical timber, and the recuperation of carbon disulphide in the textile industry.

Technical assistance

73. Further progress has been made with the programme of technical assistance missions. - Proposals for missions are put forward by the various Technical Committees (Horizontal and Vertical) and approved by the Productivity and Applied Research Committee, which is responsible for co-ordinating and organising the programme. - There are various kinds of Technical Assistance Missions. Some (Type A) entail the despatch of groups of European experts to the United States to study methods and techniques in use in various sectors of economic activity. In 1952-53 nine missions of this type were organised, to deal with such subjects as : welding techniques, photogrammetry, etc. Other missions (Type B) necessitate the despatch of experts to certain European countries in an advisory capacity. Until recently, these missions were composed almost exclusively of American experts; European experts will now be more and more frequently called upon to take part. Four teams of consultants were sent out in 1952-53 (specialists in boron steel, retail food distribution, etc.). Some missions (Type C) enable European technicians to make study tours in various Member countries. In 1952-53, three missions of this type were carried out, dealing with low-grade ores, long-distance transport of gas, and equipment for the oil industry. - International Congresses (Type R) have also been organised to assess the steps taken by those who have participated in missions of various kinds to apply the knowledge they have acquired. Two meetings of this type took place in the period under consideration : a conference on the smelting industry, and a Congress to consider the findings of a series of study sessions on problems of industrial management which had been held in the various countries in 1951-52. A further conference on the timber industry will take place at Stuttgart in September, • 1953, and another, on the electrical equipment industry, is planned for 1954.

74. The missions so far proposed for 1953-54 will include a relatively smaller number of Type A Missions, as compared with missions carried out in Europe (Types B, C, R and varying types of them). Thus in 1952- 53 the number of Type A missions was roughly the same as the number of missions carried out in Europe, while for 1953-54 the number will be much smaller; as against some half-dozen - Type A missions now planned for this period, some fifteen European missions will be arranged.

75. These missions and the conferences are usually followed by the publication of a Report. The number of these is growing and now totals 33, of which 15 have been issued since June, 1952 and more are due shortly.

European Productivity Agency

76. Whereas up till now the principal tasks mentioned in paragraph 74 were entrusted to the Productivity and Applied Research Committee, in future they will be dealt with by the recently established European Productivity Agency. - It had been felt for some time that the effectiveness of the work of the Productivity and Applied Research Committee could be increased if it were given the financial means and the staff required to extend its activities beyond their previous limits, which were largely confined to studies, conferences and Technical Assistance Missions. The opportunity came with the generous offer by the United States of a grant of \$2,500,000 towards the formation of such an Agency, on condition that this is matched by a similar sum in transferable contributions from member countries. This offer was accepted, and on May 1st, 1953, the Agency was set up by the Council as an integral part of O. E. E. C. to " seek, develop and promote the most suitable methods for increasing productivity in individual enterprises, in the various sectors of economic activity in member countries, and over the whole field of their economies ". It is operated under the authority of the Council, by the Productivity and Applied Research Committee, and a Secretariat headed by a Director, assisted by an Advisory Board. In addition to the special contributions from Member countries, and the direct grant from the United States, the Agency will also receive a contribution from the general budget of the O. E. E. C. for 1953-1954

77. A major objective of the Agency is to strengthen and support the work of existing national productivity organs, and it will maintain, close liaison with the various technical committees of the Organisation. The Agency will, in collaboration with these organs, cooperate closely with experts, research workers and the industrial public in Member countries ; for example, it will arrange, inter alia, research projects, international conferences, study missions, consultant tours and training courses.

5.1.4. Relations between the O. E. E. C. and the E. C. S. C.

78. The question of the relation to be established between the O. E. E. C. and the High Authority of the European Coal and Steel Community was covered, as early as October, 1952, by arrangements which were to remain in force during the preparatory period and which provided chiefly for the designation by the High Authority of a mission to the O. E. E. C. and the presence of an observer at meetings of the Steel and Coal Committees. - Prior to the opening of the common market, a series of questions arising from the decision of E. C. S. C. Members to set up a common market for coal and steel among themselves was discussed in detail in the O. E. E. C. The Council recognised in particular that the Member States acting as a community should exercise their rights or comply with their obligations under certain Articles of the Code of the Liberalisation of Trade or Decisions of the Council concerning export controls, in the same manner as though the European territories of these States constituted the territory of a single Member of the Organisation, in respect of the products covered by the Common market.

79. Since the establishment of the common market, relations between the two institutions have been the subject of a further agreement. As stated in a Decision of the Council of 25th March, 1953, the object of these relations is to enable the High Authority to keep in touch with the work of the Organisation, particularly the preparation of its Decisions wherever these relate to matters within the competence of the High Authority. Moreover, such relations should enable the High Authority to take into account, in the exercise of its powers, the objectives of cooperation which it is the duty of the Organisation to promote on a more general economic plane and over a wider geographical area.

Note

This Survey prepared for the Council of Europe includes the following Appendices :

- a. the Third Annual Report by the Managing Board of the European Payments Union ;
- b. a Report by the Steering Board for Trade on the position reached in the liberalization of trade ;
- c. the text of the Decision by the Council of the O. E. E. C. establishing the European Productivity Agency.

These three Appendices will be found in the volume bearing the title " European Economic Co-operation " September, 1953, which contains also the original text of the Fifth Survey prepared by the O. E. E. C. for the Council of Europe and which is obtainable at the O. E. E. C. Headquarters, 2, rue André-Pascal, Paris XVI.