



Parliamentary Assembly
Assemblée parlementaire

<https://pace.coe.int>

COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

Doc. 259

27 May 1954

Special report of O.E.E.C. on the Strasbourg Plan

Report

Committee on Economic Affairs and Development

Rapporteur: Mr Raphaël SALLER, France



A. Explanatory Memorandum

1. I.

1.1. Outline of past developments

As the OEEC comments now before the Consultative Assembly relate to a Recommendation adopted in September, 1952 — twenty months ago — it may be helpful to supply a brief reminder of the purpose and main features of the Strasbourg Plan.

The idea which originally inspired this Plan was that, as Europe was not self-sufficient and could not, by its own efforts alone, balance its trade with the dollar zone,, customs barriers between the countries already parties to the E.P.U. should be lowered without waiting for the lowering of customs barriers and the abolition of obstacles to trade in the rest of the world, and that trade among the EPU countries should be stimulated to the greatest possible extent.

This policy was not aimed at turning the. Member States of the Council of Europe and the overseas territories having constitutional links with them into an isolated bloc ; its purpose was to increase the volume of trade between those countries and the rest of the Western world. The intention was not to construct an autarchic system, but to correct a lack of balance.

The second main idea of the Strasbourg Plan was that if all European countries participated in the development of overseas territories, particularly in Àfrica, such development would be accelerated, to the great advantage of all concerned - provided special measures were adopted to safeguard the legitimate interests of the overseas territories and satisfy their desire for prosperity and freedom.

In order to implement these two basic ideas, the Assembly formulated certain principles calculated to further the co-ordinated expansion of production in the different parts of the area under consideration. In application of these principles, three specific recommendations were adopted, calling for the establishment of a European Bank for overseas territories, the conclusion of long-term contracts on basic products, and the introduction of a preferential system on a basis of reciprocity.

1.2. New Developments

This Plan was prepared by independent experts, and adopted by the Consultative Assembly, during the boom period following the outbreak of the Korean War ; and Recommendation 26 reflects the concern then felt at the shortage of raw materials and the consequent rise in prices. Since then there has been a considerable levelling out of the prices of the chief raw materials, a reversal of terms of trade, which has unfavourably affected the economy of a number of countries producing raw materials in the area covered by the Strasbourg Plan. For instance, the second Annual Eeport of the Colombo Plan refers to finance difficulties encountered by the principal countries in South-East Asia owing to the fall in prices of raw materials.

These are, however, temporary fluctuations, and there is no doubt that in the long run the demand for raw materials will increase.

One problem has become less acute — that of the dollar deficit. This has not, indeed, ceased to exist ; but the increase of extraordinary expenditure by the Americans in Europe — mainly for military purposes — has momentarily rendered it less serious ; and thanks, largely, to the considerable increase in the monetary reserves of the EPU countries, tho readjustment at present taking place in the United States has not so far affected European economy to the extent that was feared. But there is no justification for asserting that the problem has been finally solved. The very fact that we are all unanimous in striving for a détente in international relations forces us to reflect that a return to past difficùties is almost inevitable, and that it is therefore our duty to take concerted and determined steps to alter the permanent aspects of the problem.

On the political plane, world attention is concentrated on South-East Asia ; but events in Africa, though less spectacular, are no less important. There is in almost all parts of that continent a political awakening which results in more or less open demands for reconsideration of the connections between former colonies and their home countries, and for a modification of their present relationship.

Africa is to-day suffering from growing pains. Evidence of this is provided by the changes in political structures now taking place in the East of the continent and the forthcoming creation of the first black Dominion. In view of these rapid developments it is obviously essential for Europe to define the position it intends to adopt, at least in economic matters, with regard to the new system now being created.

Such are some of the new factors which have arisen since the autumn of 1952, while the various organs of O.E.E.C., to which the Committee of Ministers of the Council of Europe had referred the matter with a mere request for an opinion, were continuing their leisurely study of the Strasbourg Plan.

1.3. Comment by O. E. E. C.

O.E.E.C. has dealt somewhat cursorily with the Plan. Ignoring its main purpose — the search for an economic solution of a problem vital to the future of Europe and the Western world — at has treated it like one of its ordinary concerns, a part of its current business. The OEEC criticisms are based chiefly on one consideration — the economic unity of the Western world ; and, for the sake of that unity, the Strasbourg Plan is censured as "a regional programme of action to be put into effect unilaterally by member countries and the overseas territories".

The point to which opposition is most pronounced — and to which, incidentally, the Strasbourg Plan gives a pre-eminence which had perhaps not been contemplated by all its authors.— is the introduction of a preferential system founded on a basis of reciprocity. This suggestion is summarily dismissed, for various doctrinal reasons which may be summed up as follows: "The member countries of the Organization consider that the recommendation in Section 2 (c) of the Strasbourg Plan concerning the introduction of secondary, preferences would lead to the formation of a discriminatory bloc against the dollar area ". As though the abolition of all discriminatory measures affecting trade within the Western world would suffice to ensure economic prosperity !

The second cornerstone of the Plan, the European Bank for investments, meets with disapproval both for theoretical reasons (" the I.B.R.D. already exists and should be sufficient ") and on practical grounds : it " does not at present come within the realm of practical politics because of the divergent views of the countries concerned ".

Certain points in the Plan have, however, found favour with the OEEC authorities. These include the recommendation in Section 1 (a) concerning increased production of raw materials, particularly " dollar earners " and " dollar savers " ; that in 1 (f) on the creation of openings in the European countries for overseas products; and that in 2 (b) concerning the elaboration of methods for stabilising the price of basic products in order to encourage their output.

1.4. The political factors

Before considering in the light of subsequent developments the various points of the Strasbourg Plan, together with the criticisms levelled against them, certain remarks would appear necessary.

For reasons connected with its origin and structure, O.E.E.C. has been inclined to place the emphasis on problems peculiar to its Member States and on their relations with the dollar area, in particular the United States. This tendency was unmistakably clear in the Fourth Report of O.E.E.C., published a few months after the appearance of the Strasbourg Plan, and it is known that the United States and Canada take an advisory, but very active, part in the Committees of O.E.E.C.

The Economic Commission for Europe, on the other hand, including as it does the Eastern European countries, has naturally tended to stress the importance of East-West trade, which is on the Agenda of our Assembly for this Session.

The purpose of the Consultative Assembly of the Council of Europe in formulating and adopting the Strasbourg Plan was to direct attention on a sector of international co-operation hitherto somewhat overlooked.

The political aspect of the problem is that there are in the overseas territories tens of millions of people whose consumption is scarcely 10 % of that of the highly-developed countries. They are not prepared to accept this situation indefinitely and are smouldering with revolt against the Western world. From an economic standpoint, the development of these countries by concerted European efforts would be as much to their advantage — offering as it does the only prospect of rapid improvement in their living standards — as to that of the European countries which, while respecting commercial links already established and the legitimate interests of the overseas countries themselves, would find outlets there commensurate with their productive capacity.

2. II

In the field of trade the object of the • Strasbourg Plan was to restore equilibrium between the EPU area and the dollar area by 'increasing the flow of trade within the former area, in particular by a preferential reduction of tariff barriers.

2.1. Reduction of Customs Duties

There is no doubt that since the adoption of Recommendation 26 the position with regard to this point has been modified. On the one hand, in spite of the American recession, extraordinary American expenditure has afforded Europe a breathing-space. On the other, the President of the United States, acting on the conclusions of the Randall Commission, has, in a message to Congress, recommended a number of measures to make American foreign trade policy more liberal : a modification, in a liberal sense of the "Buy American" Act, a simplification of customs formalities, an extension of the powers of the President authorising him to lower the general level of duties by 5 per cent each year for three years.

Furthermore, in anticipation of this new deal in American trade policy, the Interim Committee of C.A.T.T. has put down for study the French plan for the lowering of tariffs and the Council of Europe proposal for a Lw Tariff Club.

It will be remembered that the report of the experts recommended the introduction of a system, of secondary preferences on two conditions : " first, the preferences should be brought about through a lowering of duties between the countries concerned, and not through an increase of duties directed against outside nations, secondly, any country offering commensurate concessions should have the right to be admitted within the 'preferential group' ".

The measures recommended by the President of the United States would make it possible to fulfil the second of these conditions. They are, at any rate, symptomatic of a liberal trend which the Consultative Assembly agrees with O.E.E.C. should be encouraged. There is no doubt that any plan for the lowering of tariffs which included in one way or another the United States would by that fact alone be an improvement on a plan for tariff disarmament over a more limited area.

Unfortunately, the American Congress has preferred to suspend judgment on the President's message, and thus introduced a further delay in the expected clarification of American trade policy. Only in the light of the new policy still to be decided will it be possible to choose between the arguments of the Strasbourg Plan in favour of a secondary preference system against the opposing views of the OEEC experts.

With regard to the liberalisation of trade with the overseas countries, the O.E.E.C. comments mention that the liberalisation effected by the member countries extends ipso facto to imports from overseas dependencies, and continues : " As the restrictions still imposed by member countries rarely affect raw materials, it is fair to say that there are now almost no quotas limiting imports of the chief products exported by the overseas countries to member countries. " That will no doubt hold good as long as the overseas countries remain essentially producers of raw materials and provided that they modernise their production methods sufficiently to make their prices competitive. But if, as is generally hoped and is indeed beginning to take place, those countries widen the range of their production, take up a policy of industrialisation and begin to turn out finished and semifinished goods, their exports to Europe will encounter various protectionist measures. The only way out of the difficulty would appear to be a preferential system for the overseas countries.

In connection with the liberalisation of trade by the overseas territories, the Assembly welcomes the first measures announced in the O.E.E.C. comments and in the Sixth O.E.E.C. Survey (para. 40) designed to facilitate exports from member countries to the overseas dependencies of other member countries. On this specific issue, these measures represent definite progress along the general lines of the Strasbourg Plan.

In this context, the Assembly notes that O.E.E.C. mentions in its comments the possibility of " setting up some form of economic co-operation including the independent members of the Commonwealth should the need arise. " The question arises whether the British Dominions, without formally adopting the Liberalisation Code, might increase their imports from the European countries on an ad hoc basis and thus make a valuable contribution to the solution of the sterling problem, which for some member countries is as big a headache as the dollar gap.

But to return to the question of trade liberalisation by the overseas territories other than the Dominions, it is to be feared that the efforts of O.E.E.C. may soon meet with insurmountable difficulties.

Though in the case of the territories as a whole the metropolitan countries supply roughly 80 per cent of all goods imported into those territories from member countries, it is clear that they will object strongly to any change in the status quo which will result in a falling-off of their exports towards their own overseas territories. The truth of the matter is that the only way to make room on the markets of overseas territories for the exports of other countries is first to increase the capacity of those markets.

It is by no means fortuitous that the home countries provide such a high proportion of the imports of the overseas territories. It is due to the close connections of all kinds, particularly financial and monetary, between the home countries and their overseas territories, and particularly to the fact that the home countries provide a comparable and often higher proportion of the capital investments in those territories.

The OEEC programme for the liberalisation of intra-European trade was feasible only because it established a close relationship between the monetary problems handled by E.P.U. and the trading problems dealt with by the liberalisation code. They were so to speak the two facets of the same problem.

The overseas territories will be able to liberalise their trade with member countries other than their own home countries only in so far as the member countries offer regular outlets for raw materials and tropical products and also widen the potentialities of overseas markets by the investment of capital.

2.2. Increased production of raw materials

For the same reason the Assembly has recommended " increased production of raw materials in the area under consideration and, in particular, increased production of such materials as are at present imported by Europe from the dollar area or are likely to be exported to that area, and the adoption to this end of a policy of economic expansion ". The Assembly is glad to learn that O.E.E.C. is at the moment engaged in a study covering a fairly large number of products, to determine whether production can be expanded in such a way as to save or earn dollars, in accordance with the principles laid down in the recommendations in Sections 1 (a) and 1 (b), but with the additional stipulation that any such expansion should in principle only take place if costs are comparable with those of other world producers. The Assembly was of the opinion and still is that such an expansion depends upon a certain stability in prices and the provision of markets sufficient to assure the necessary minimum of security for producers.

The Assembly hopes that O.E.E.C. will soon complete this study, which was decided upon by the O.E.E.C. Council in July, 1953. The Turkish and Australian wheat surpluses are sufficient to demonstrate the need to link the problem of outlets to that of investments.

2.3. Investments

The Strasbourg Plan took as its starting- point the fact that the metropolitan countries have hitherto been chiefly responsible for the development of overseas territories. They have invested in those territories more money than they received from the United States under the Marshall Plan. But it must also be admitted that the metropolitan countries are not at present able to meet all the demands of the political and economic situation.

Taking this as its starting-point, the second basic idea of the Strasbourg-Plan was to associate the European countries without overseas responsibilities in this vast development project. There is no reason, indeed, why countries like Germany, Switzerland or Sweden should not, if they find it to their advantage, provide investments in the overseas territories on the same scale as, for instance, France.

The conviction that this was so was reflected inter alia in the recommendation in Section 1 (c) which advocated marshalling the resources of all member countries for the equipment and development of the overseas countries, and in the recommendation in Section 2 (a), which proposed the creation of a European Bank for the development of overseas territories.

In its comments on these two recommendations, O.E.E.C. notes that the Member Governments share the Assembly's view that the aim should be as liberal a system as possible in this respect. But there is a clear difference between the two attitudes. Whereas the Strasbourg Plan proposed a sharing of burdens, O.E.E.C. replies with a profession of liberal faith and proposes a three-point programme :

1. to increase savings in member countries likely to be interested in overseas projects;
2. to create conditions propitious for the movement of ' private capital from member countries and the United States to the overseas territories ;
3. to co-operate with existing international financial institutions and particularly with the International Bank.

The Assembly does not underestimate the value of this programme but is obliged to state that it is not commensurate with the size and the urgency of the problems as they present themselves in the overseas territories, and as described in the Strasbourg Plan. If investment must await an increase in savings in the member countries, there is a danger of being caught in a vicious circle, since such an increase largely depends on the economic expansion which would result from the execution of the plan.

If reliance is placed solely upon American private investments which, incidentally, are not prepared to seek an outlet in the underdeveloped countries, the problems of Europe itself will never be solved.

The I.B.R.D. cannot be relied upon to provide the motive force, for experience shows that it could not do enough and that its investments have mostly been directed to the most highly-developed overseas countries covered by the Strasbourg Plan : Australia, India, Pakistan, South Africa and Northern and Southern Rhodesia and the Belgian Congo.

In the opinion of the Assembly, the main hope of appreciably hastening the rate of the development of these territories lies in the investment not only of private but also of public funds by the non-metropolitan Member States.

3. III

3.1. A Free Association of Equal Partners

Political and economic realities suggest therefore that the problem is to combine in a flexible and co-operative system on the lines of the Colombo Plan, three groups of forces : the metropolitan countries, the overseas populations, and the other member countries.

The first group of forces is obviously formed by the metropolitan countries, which have hitherto borne almost the entire burden of investment in the overseas territories. There can be no question of trying to alter the relations between metropolitan countries and their overseas territories, first because the former would not accept such an attempt, and, secondly, because the result would be the sort of anarchy whose effects have been observed elsewhere. There must simply be an attempt to find a system acceptable to all parties which would take into account and, to some extent, draw conclusions from the new ties uniting the Metropolitan States and the other member countries within a framework of European integration.

The second of these forces consists in the overseas populations, whose political influence is steadily increasing and whose interests should in any case receive priority. There can be no question of granting any organisation, whether European or international, the power to supervise the direction of their policy and their public services. Any form of neocolonialism, though it be involuntary, should be ruled out, and the only problem would be, within the framework of existing political structures, to establish economic relations between them and the European States without colonial responsibilities, such as could be accepted by independent countries like Liberia.

For this purpose, the contribution of the metropolitan and other European member countries should show normal and reasonable returns for productive activities overseas and avoid any attempt to reap all the profits for Europe. This contribution should serve the interests of all the parties concerned.

The third group of forces which should be invited to participate comprises the non-metropolitan European States. These should find in the overseas countries means of obtaining supplies, and in return should offer them new markets for their exports. However, their role could not be restricted to the field of trade, leaving the heavy burden of basic investments to the metropolitan countries alone ; they should also contribute to the latter, in proportion to their productive investments and their expansion of trade with these territories. Apart from their public and private capital, these States would also help to provide the technical assistance needed by these territories.

To give these principles concrete form, it would be expedient, first, to define the spheres in which the metropolitan countries and the overseas territories would agree to accept the participation of other European countries.

This study might be carried out, under the auspices of the Council of Europe and O.E.E.C, by a Committee composed of qualified political representatives of the metropolitan areas and overseas territories, assisted by experts.

The conclusions of this Committee would form the basis of a joint programme of action which might then be discussed by all Member States.

But if the consent of the metropolitan Powers is the first essential, the support and co-operativeness of the overseas populations is no less indispensable. They must not therefore be presented with a plan in which they have had no say ; on the contrary, they should be allowed to take part in its preparation from the outset. It is greatly to the credit of Mr. Bot-tomley that he so strongly stressed this point of view and had the constructive idea of proposing a conference of representatives of Member States and of the overseas territories to study the practical implementation of the proposals contained in the Strasbourg Plan on the basis of the preliminary work of the Committee mentioned above.

A delegation of the Consultative Assembly should also attend this conference. It would be held under the joint auspices of the Council of Europe and O.E.E.C. and would in due course recommend a plan of action to the Committee of Ministers of the Council of Europe and the Council of O.E.E.C.

B. Draft Recommendation

The Consultative Assembly,

Having on 25th September, 1952 adopted its Recommendation 26 known as the Strasbourg Plan ;

Having examined the comments of O.E.E.C. on this Plan ;

Having taken note of the Report of the Committee on Economic Questions appended hereto ;

Having taken note of the Report of the Committee on Economic Questions appended hereto ;

Considering that the right of initiative, in economic questions, of the Council of Europe, and particularly, therefore, of the Committee of Ministers, is clearly laid down in the programme of work which has recently been submitted to the Assembly ;

Considering, as the Strasbourg Plan emphasises, that the economic expansion of dependent territories having constitutional links with the Member States of the Council of Europe should be directed primarily towards raising the standard of living of their populations through the balanced development of their resources ;

Considering that close collaboration between member countries, on the one hand, and the Governments and peoples of the overseas territories in question, on the other, is essential for the preparation of a balanced long-term programme of development inspired by the Strasbourg Plan,

Recommends :

- a. that the Committee of Ministers adopt the principle that the policy of European integration entails, as a corollary, co-operation within the framework of present political structures and, in the interests of their common prosperity, between metropolitan Powers, the overseas countries which have constitutional links with them and the other member countries of the Council of Europe ;
- b. that the Committee of Ministers invite the Powers with overseas responsibilities to examine together, on the basis of the Strasbourg Plan, the comments of O.E.E.C. on that plan and the attached Report, the fields in which they would be ready, to accept the participation of other European countries ;
- c. that, under the joint auspices of the Council of Europe and the O.E.E.C, a Conference be called between, on the one hand, the Member States, and, on the other, the overseas' territories involved for the discussion of the problems arising from the implementation of the proposals contained in the Strasbourg Plan.