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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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Certain Proposals affecting the Economy of Europe

Report
Committee on Economic Affairs and Development
Rapporteur: Lord David ECCLES, United Kingdom

1. Introduction

The Committee on Economic Questions which was established during the first Session of the Consultative Assembly from 10th August to 5th September 1949 consisted of the following members :

MM.

REYNAUD, Chairman - FRANCE

GULEK, Vice-Chairman - TURKEY

ECCLES, Rapporteur - UNITED KINGDOM

CAMPILLI - ITALY

CASSIMATIS - GREECE

CORBINO - ITALY

EDELMAN - UNITED KINGDOM

ERTEN - TURKEY

GJÖRES - SWEDEN

KERSTENS - NETHERLANDS

VAN DE KIEFT - NETHERLANDS

KRISTENSEN - DENMARK

MM.

LEE - UNITED KINGDOM

LONGCHAMBON - FRANCE

MOTZ - BELGIUM

PARRI - ITALY

ROZAKIS - GREECE

PHILIP - FRANCE

RASQUIN - LUXEMBOURG

SMITT-INGEBRETSEN - NORWAY

DE VALERA - IRELAND

WIGFORSS - SWEDEN

The Committee proceeded to form 4 Sub- Committees, the composition of which was as follows :

1.1. I. Monetary and Finance Sub-Committee

M. WIGFORSS, Chairman

Mr. ECCLES

M. GULEK

M. KriSTENSEN

M. MOTZ

Mr. DE VALERA

M. CORBINO

1.2. II . Commercial Policy Sub-Committee

M. CASSIMATIS, Chairman

M. CAMPILLI

Mr. EDELMAN

M. KERSTENS

1.3. III . Industry, Agriculture and Food Sub-Committee

M. PHILIP, Chairman

M. ERTEN

M. GJÖRES

Mr. LEE

M. LONGCHAMBON

M. PARRI

M. ROLIN

M. ROZAKIS

1.4. IV. Public Works Sub-Committee

M. GULEK, Chairman

M. CAMPILLI

M. CASSIMATIS

Mr. EDELMAN

M. VAN DE KIEFT

Meeting of the Committee and its Sub-Committee

The Committee held two plenary meetings, the first from the 15th to the 17th December 1949, and the second from the 10th to the 12th July of this year. The following members attended the meeting in December :

M. REYNAUD, Chairman - FRANCE

M. GULEK, Vice-Chairman. - TURKEY

M. CAMPILLI - ITALY

M. CASSIMATIS - GREECE

Mr. ECCLES - UNITED KINGDOM

M. KRISTENSEN - DENMARK

M. VAN DE KIEFT - NETHERLANDS

M. LONGCHAMBON - FRANCE

M. MOTZ - BELGIUM

M. [PARRI - ITALY

M. PHILIP - FRANCE

M. SMITT-INGEBRETSEN - NORWAY

M. WIGFORSS: - SWEDEN

Substitutes :

Mr. AIKEN (for Mr. DE VALERA), IRELAND; M. BALTA (for M. ERTEN), TURKEY; M. BELLAVISTA (for M. CORBINO), ITALY; M. ELMGREN (for M. GJORES), SWEDEN; M. FAYAT (for M. ROLIN), BELGIUM.

Lord LAYTON (UNITED KINGDOM) was also present at the meeting.

The following members attended the meeting in July, 1950 :

M. REYNAUD, Chairman - FRANCE

M. CASSIMATIS - GREECE

Mr. ECCLES - UNITED KINGDOM

Mr. EDELMAN - UNITED KINGDOM

M. GJORES - SWEDEN

M. KERSTENS - NETHERLANDS

M. KRISTENSEN - DENMARK

M. VAN DE KIEFT - NETHERLANDS

M. MOTZ - BELGIUM

M. PHILIP - FRANCE

M. ROZAKIS - GREECE

Substitutes :

Mr. AIKEN (for Mr. DE VALERA), IRELAND; M. Tosi (for M. CAMPILLI), ITALY.

The Monetary and Finance Sub-Committee held three meetings, the first immediately before the plenary session in December 1949, the second on the 13th and 14th of June 1950 and the third in connection with the plenary session of the Committee in July this year.

The Industry, Agriculture and Food Sub- Committee held two sittings. This Committee met for the first time three days before the plenary session of the Committee in December last and held its second meeting on the 22nd and 23rd May, 1950.

The Commercial Policy Sub-Committee held one meeting in connection with the plenary session in December, 1949.

A meeting of the Public Works Sub-Committee which was convened for June 5th had to be cancelled. This Sub-Committee has thus not met during the year. However, as no specific problems had been referred to it, the work of the plenary Committee was not retarded. Furthermore, the Chairman and the Rapporteur requested the Secretariat-General to prepare material on the basis of which the Rapporteur subsequently drafted three interim Reports dealing with various problems falling within the competence of the Sub-Committee.

Organisation of the work

The work of the Committee and the Subcommittees was based primarily on the Recommendations in the economic field adopted by the Consultative Assembly [1] and on the problems subsequently referred to the Committee. The latter were sent to the appropriate Sub-Committee for preliminary study.

The Recommendations of the Assembly were considered as the terms of reference of the work of the Committee. However, it was not the intention of the Consultative Assembly that the Committee should elaborate and make a more profound study of the contents of these Recommendations. Rather, such an examination was to be postponed until the Committee of Ministers, in accordance with the request of the Consultative Assembly, had given their decision on them. The Committee kept itself regularly informed of the action taken by the Committee of Ministers in regard to these Recommendations (a further reference appears later in this report). On two points, however, the Committee has seen fit to study the implications of the Recommendations of the Assembly : relating to the creation of a multilateral system of payments (Doc. 71, Part. I, § 2), and to the drafting of a convention on the control of international cartels (Doc. 71, Part. I, § 6).

The Committee did not limit its work to the fields specified above. Instead, it considered it appropriate to include in its study any new problems of an urgent character with which it was presented after the first Session of the Assembly. Accordingly, the Committee examined the proposals for the creation of a High European Authority proposed by the French Government (Schuman Plan). Moreover, the Committee included in its working programme any other question or proposal which, in its opinion, would help to forward the economic aims of the Council of Europe as stated in the Recommendations of the Assembly. Among the questions of this nature studied by the Committee were the European Companies project, the Co-ordination of European Investments, European Public Utilities and Full Employment and Public Works.

The activities of the Committee and its Sub- Committees were based on material and draft Resolutions prepared either by individual members of the Committee or by the Secretariat- General, acting on the instructions of the Chairmen or the Rapporteurs of the Sub-Committees. The Secretariat-General in preparing the material requested, did so with the concurrence of the Chairman of the Committee on Economic Questions and, in certain cases, consulted the Secretariats-General, of the 0. E. E. C, the I. T. 0., the E. C. E., and the E. C. A. as well as other international organisations including the International Chamber of Commerce.

The Committee would like to emphasise that its policy was to devote itself rather to the study of the political aspects of the problem under discussion than to consider them from a purely technical angle. This attitude was thought more in keeping with the political role of the Council of Europe.

Relations with the O. E. E. C.

One problem which pre-occupied the Committee and concerned the organisation of the work was the relations between the Committee and the 0. E. E. C. From the beginning, the Committee recognised that an attempt should be made to avoid setting up technical research units within the Council of Europe which might duplicate the work being done by other international organisations.

At the same time it was manifest that the Committee would discuss problems which were already the object of technical studies by other bodies. In these circumstances, the Committee on Economic Questions thought it appropriate to emphasise the need for a procedure whereby it could receive the material and call upon the assistance of experts from the different international organisations working in the economic field, particularly the 0. E. E. C. This desire was expressed by many Representatives during the debates of the First Assembly and was stressed in the Recommendations finally adopted by the Assembly (Document 71 Part III § 1, c) as well as in the letter of the 9th September, 1949, addressed by M. P. H. Spaak, President of the Assembly, to

1. See Document n° 71 (ordinary session 1950).

the Chairman of the Committee of Ministers. The Standing Committee also took up this proposal when it met in November of the same year and the request was contained in a letter of the 10th November addressed by the Chairman of this Committee to the Chairman of the Committee of Ministers.

With the view of preparing the work of the Committee on Economic Questions, its Chairman approached the Secretary-General of the 0. E. E. C. in the middle of November and made a request for documents and for the right to arrange hearings with the experts of the 0. E. E. C. This approach was met with the objection that no formal demand to this end had been transmitted by the Council of Europe. As the forwarding of such a request would need the assent of the Committee of Ministers, the Chairman requested the Secretary-General of the Council of Europe to obtain the necessary permission from the Committee of Ministers. The sequel to this is already known and reference is made in this connection only to the ultimate decision of the Council of the 0. E. E. C. in regard to the possibility of the Committee on Economic Questions calling upon the assistance of the O. E. E. C. A Resolution to this effect was subsequently approved by the Committee of Ministers (Appendix " A ") . The attitude adopted by the O. E. E. C. was disappointing and is open to criticism. Of the three items covered in the Resolution concerning communication of documents, preparation of studies for the Committee by the O. E. E. C. and hearing of experts only the solution to the first one may be considered entirely satisfactory. The decision in regard to preparation of studies offers more a procedure for the forwarding of requests than a commitment on the part of the 0. E. E. C. to any specified course of action upon receiving them.

The main objection to the Resolution may be directed towards the way in which the problem of the hearing of the international experts from the 0. E. E. C. was resolved. The Committee considered such hearings a necessary condition for the efficient execution of its tasks having regard to the restricted technical resources of the Secretariat-General of the Council of Europe and the limited time which the members of the Committee can devote to the preparation of documents.

> *" The consultation would take place between the two Secretaries-General, on the understanding that the Secretary-General of the Council of Europe could be accompanied by members of the Committee which had requested the consultation.*
>
> *" The subject of each consultation should be limited and clearly defined in advance.*
>
> *" The subject should be within the competence of the Organisation and should concern question which had already been studied by the Organisation.*
>
> *" No statement on these consultations should be made to the press without the prior approval of the Organisation. "*

The Committee unanimously considered such a procedure to be contrary to all parliamentary traditions and consequently deemed it preferable not to arrange the proposed consultation on the problem of the European Payments Union. If the present state of affairs were to be protracted, the ensuing result might be what everyone wishes to avoid, namely, the setting-up of technical research units within the Council of Europe.

Action taken on the recommendations of the Consaltative Assembly

The Recommendations of the Assembly in the economic field together with the preamble which preceded them constitute a long-term programme for the achievement of an economic integration of Europe and for the solution of Europe's present economic plight. These Recommendations were referred to the Committee of Ministers with a request for action in accordance with the proposals contained therein, as requested by them in their observations on the draft Agenda for the first session of the Consultative Assembly.

We regret that the Ministers did not themselves discuss their contents, calling, for instance, on the 0. E. E. C. for technical advice; but instead, referred them to the 0. E. E. C. for comment. As the inadequacy of the 0. E. E. C. in certain respects was one of the subjects of criticism by the Consultative Assembly, this procedure was inappropriate, and its results were sterile.

The reply of the 0. E. E. C. was contained in a letter of the 21st February addressed to the Secretary General of the Council of Europe (Appendix " B ").

The examination of the Assembly's Recommendations by the 0. E. E. C. showed a lack of appreciation of its political purpose; and its claims in some cases to be already concerned in certain activities proposed by the Assembly are based on a lack of comprehension of the Assembly Recommendations. Thus, for instance, the reply of the 0. E. E. C. in regard to the Recommendation of the Assembly to call a conference of the Member States and their overseas associates and territories does not carry the slightest conviction.

The Committee of Ministers finally considered the Recommendations of the Assembly during its meeting of the 30th March to the 1st April in the light of the Recommendations of the 0. E. E. C. The action taken by the Committee as shown from the attached copy of its Decision (Appendix " C ") was to instruct the Secretary-General to study the possibility of implementing Recommendations No. 71, Part. I, § 1 on information to the masses and § 6 on the control of international cartels.

The Secretariat-General subsequently kept the Committee informed of the measures which it had taken as a result of this decision. In regard to Recommendation No. 1 it framed a plan for spreading information to the peoples of Member States on the present economic crisis and the reasons in favour of attaining a closer co-operation in the economic field between the Member Countries. This plan is being gradually implemented partly in collaboration with the Secretariat-General of the 0. E. E. C. (Appendix " D ") .

In compliance with the decision of the Committee of Ministers on Recommendation 71, Part. I, § 6, the Secretariat-General approached the Secretariat of the Interim Commission of the International Trade Organisation, in consultation with which it will examine the cartel problem. It, also, made an informal agreement with the Secretariats-General of the Economic Commission for Europe and the 0. E. E. C. whereby it could profit by the experience and expert advice of these organisations.

In view of the urgency of the cartel problem, the Committee considered it necessary to examine this question in more detail, even before the Committee of Ministers had stated its opinion on the Recommendation of the Consultative Assembly. The Committee consequently adopted an Interim Report on the cartel problem. (Appendix " E ")

The Committee also had an opportunity of studying a paper outlining the general principles on which the Secretariat-General proposed to base its work. This paper was approved in a Resolution adopted at its meeting in July 1950 (Appendix " F ") . The Committee instructed the Secretariat-General to prepare a memorandum for the Assembly, giving a summary of the latest progress of its work on the drafting of the convention on the control of international cartels. This memorandum will, it is hoped, be distributed shortly before the opening of the Second Session.

Among the recommendations to the Committee of Ministers was the proposal for the creation of a European patent office. The Assembly put forward this project to the Committee of Ministers with the request that it " inform the Standing Committee at the earliest possible date of any objections which it might have to make to the implementation of the project. "

It had been intended to hold a meeting of government experts in the beginning of July to examine this matter but on the suggestion of certain governments, this meeting has been adjourned until after the Session of the Assembly.

Under these circumstances, the Committee, to its great regret, has not been able to submit to the Consultative Assembly the final draft which the latter has instructed it to prepare.

2. Action taken on problems referred to the Committee

The following is a summary of the work done by the Committee on Economic Questions in regard to the problems referred to it for comment by the Consultative Assembly. For reasons of convenience, the questions are dealt with, Sub- Committee by Sub-Committee.

2.1. 1. Monetary and Finance Sub-Committee

The following questions were sent to the Sub- Committee for examination :

1. The creation of a common currency for the Member States of the Council of Europe. (Motion by Mr. Mackay).

2.
   - *a.* The establishment of a European Reserve Bank. (Motion by Mr. Philip).
   - *b.* Creation of a European Bank for Investments. (Motion by M. Philip).
   - *c.* Co-ordination of Investments. (Motion by M. Philip)

3. Constitution of a European clearing system. (Motion by Messrs. Crawley and Aiken).

The Sub-Committee devoted most of their work to the third question, namely the study of a European Clearing System.

They took as their starting point the Intra- European Payments Scheme which, although an improvement on the rigid bilateralism of the early post-war years, was defective in two respects : first, incentives to expand trade were conspicuously lacking; second, it was not possible to use money earned in one of the Member countries to pay debts incurred in any other country.

In December 1949, the Committee approved the publication of a Report made by the Sub- Committee on European Monetary Reform (Appendix " G ") which was widely commented upon on both sides of the Atlantic. This Report was limited to the broad principles of a multilateral clearing system. The Committee had no desire to enter the field of experts and considered that its function was to give particular emphasis to the political implications of a payments union. In this way it could fill a gap in the work which is being clone by many expert bodies concerned with the economy of Europe.

The 0. E. E. C, in its second annual report published in February, set out its general proposals for a European Payments Union. These were on the same lines as those put forward by our Sub-Committee, and to a large extent they were embodied in the final plan for the Payments Union agreed on 7th July.

The Committee welcomes the very skilful work of the technical experts in putting flesh on these bones, and notes with approval that incentives to balance inter-European trade at a high level have been restored.

The Committee draws particular attention to paragraphs 58-60 in the constitution of the Payments Union which deal with the powers of the 0. E. E. C. to review the economic and financial situation of members and to recommend action to expand or contract their exports or imports.

Much of the success of the Payments Union will depend on how this duty is discharged. In the military sphere it is no longer thought adequate to form alliances and wait for the war to start before enquiring what forces an ally can put into the field.

Continuous staff-talks and peace-time integration of plans are now accepted as part and parcel of modern defence. Such methods are equally necessary in the financial and economic spheres, and we ask the Assembly to endorse our view that the stability of prices and of employment in the whole area covered by the Payments Union demands close and continuous co-operation to prevent inflation or deflation in one or more of the Member countries from becoming a menace to the others.

The Committee also wants to stress the importance of the overall review of the scheme before 31st March 1952, envisaged in Art. 79 of the 0. E. E. C. Document. It is essential that the individual countries should know in good time how their balances with the E. P. U. are to be dealt with after 30th June 1952.

The Committee considers that structural debtors, whose deficits arise without any corresponding credits earned outside Europe, should be granted longterm loans in place of their structural debts.

The Committee considers that the dollar situation after the end of Marshall Aid would be improved through a realisation of the " point IV " programme brought forward by the President of the United States and more generally through an extension of international lending and investment, and the Committee recommends that a common policy for facilitating such a development should be urgently considered. By this means, a return to the triangular trade might be possible with Europe earning dollars from its exports to the outside world.

In this connection, the Committee wishes to quote the Preamble of the Recommendations of the Consultative Assembly :

" The most urgent task is to pay for the food and raw materials which at present have to be bought in North America. The necessary dollars can only be found if a fresh effort is made on both sides of the Atlantic. The countries of Europe must increase their productivity and reduce their costs and selling prices, so as to adapt themselves to the hard facts of the postwar world. On their side the U. S. A., which recognises the need for Europe to sell more to them, should encourage these imports by every possible means and in particular by lowering its customs tariffs. "

As regards the creation of a European Reserve Bank and a European Bank for Investments, the Committee came to the conclusion that it would be premature to suggest concrete solutions to these problems, particularly as it seemed desirable to await the development of the activities of the International Bank. This postponement of a more detailed study of the proposals seemed all the more justified as the Committee had already considered the general problem of long-term loans in its report mentioned above on European Monetary Reform and on the 0. E. E. C. proposal for the creation of a European Payments Union.

In regard to the creation of a common currency in Europe, the Committee was of the opinion that this proposal could not be implemented until the question of a joint European political body had been solved.

The problem of Co-ordination of Investments is dealt with under the Industry, Agriculture and Food Sub-Committee section.

2.2. 2. Commercial Policy Sub-Committee

The following four subjects raised by Representatives of the Consultative Assembly were sent to the Sub-Committee for study :

1. The liberalisation of intra-European trade; (Motion by Messrs. Philip, Mackay, van de Kieft and Bonnefous).
2. Development of trade with the countries of Eastern Europe by means of special agreements between the Member States; (Motion by M. Buron).
3. Issue of a European postage stamp; (Motion by M. Buron).
4. Development of the tourist industry in Europe. (Motion by M. Buron).

In view of the decision taken by the 0. E. E. C. to liberalise intra-European trade which is steadily being given wider application, the Committee limited itself to following closely the implementation of the 0. E. E. C. programme on this point and refrained from pursuing an independent investigation' of the problem. In this connection, the Committee considers it appropriate to recommend to Member Governments the aboltion of certain restrictive features in the plan, such as its limitation to trade on private account. Furthermore, the Committee wishes to point out that certain participating states are countering the effects of the liberalisation measure by raising their tariffs. With regard to the problem of trade between Eastern and Western Europe which is of a particular political significance, the Committee refers to the Interim Report of the Commercial Policy Sub-Committee (Appendix " H ") and the attached memorandum prepared by the Secretariat- General (Appendix " I ") .

The Committee has also undertaken a preliminary, study of the proposal to issue a European postage stamp (Appendix " J ") and hopes to be able to put forward in the near future a concrete proposal on the subject.

Considering that the 0. E. E. C. is actually studying the possibility of promoting the European tourist industry, the Committee deemed it sufficient for the present to keep itself informed of the progress of the work done by the 0. E. E. C. in this field.

2.3. 3. Industry, Agriculture and Food Sub-Committee

The Sub-Committee had been requested to examine the following problems :

1. The coal industry of the Ruhr.
2. Co-ordination of transport, steel and power.
3. Development of co-ordination of production and improvement in distribution of agricultural products.

The results of the Committee's study of the first question—that of the Ruhr coal industry-— are discussed in the next section under the heading " The Schuman Plan ". The problem of the co-ordination of European transport was subsequently referred to the Public Works Sub- Committee and was made the subject of a special report presented by its Rapporteur (see next section).

In regard to the European steel industries, the Committee started out with the firm conviction that the risk of a surplus production of steel made it necessary to establish closer co-ordination at the governmental level, as otherwise a new inter-European Steel Cartel controlled by private producers might arise. The proposal of the Committee entailed the creation of a public steel organisation, composed of Government experts and of a consultative body with representatives of the producers,—-employers and workers—as well as of the consumers and of the public interest. The Committee recommended that similar organs be established for the other basic industries (coal, petrol, electric power, etc.) (Appendix " K ").

The Committee also considered the problem of agricultural production and refers in this connection to the attached interim report on the subject (Appendix " L ").

In connection with its study of these problems the Committee has been led to examine the wider issue of co-ordination of investments. It adopted the attached Resolution based on a paper prepared by the Secretariat-General recommending Member States to create within the 0. E. E. C. a consultative body for the co-ordination of investments (Appendices " M " and " N ").

3. Additional action taken by the Committee

During the course of the year under review, the Committee quite naturally felt it a duty to consider problems not necessarily discussed in the Assembly but which had a topical interest or were thought to be of major importance.

3.1. 1. The Schuman Plan

The Committee considers that the publication of the proposal of the French Government for the creation of a European High Authority represents a most encouraging and important event in European integration. It was, therefore, appropriate for the Committee to consider the implication of this plan. Its views are given in the following resolution :

" The Committee :

" Recalling its own preparatory report of December on the co-ordination of the European steel industry, views with satisfaction the initiative taken by the French Government on the 9th of May 1950;

" Hopes that the Conference of six will seek to set up a system of mutual exchange of information and means of eventual association with countries not participating in the Schuman Plan with a view to extending as far as possible the field in which the essential economic aims of the Plan can be realised;

" Records its desire that governments concerned will keep the Council of Europe informed of the progress of negotiations and affirms that the Consultative Assembly of the Council of Europe will be a fitting organ to exercise control of the common High Authority. "

3.2. 2. European Companies project

As is well known a complete economic integration of Europe would be fraught with formidable difficulties. It implies the unification of economic policies, dovetailing of production programmes and re-arranging the industrial structure of the individual countries and this, in its turn, means changes in the shape of increased competition for formerly protected industries and temporary unemployment. In view of these obstacles to a full integration, the Committee on Economic Questions examined other methods susceptible of leading to a union, though on a more limited scale. At its meeting in December last year, the Committee presented a proposal to create what was styled European companies, to be administered by a supervisory body attached to the Council of Europe and to some extent under its control. As will be seen from the attached memorandum (Appendices " 0 " and " P ") this proposal represents a new way of attacking economic union; instead of aiming at co-operation on an all-embracing scale, it endeavours to provide a solution to the problem from a practical standpoint.

The Committee wishes, in this connection, to call attention to a letter addressed by M. Robert Schuman to the Secretary-General of the Council of Europe dated May 4th 1950 in which the French Government declared its interests in the project and expressed a desire that the Consultative Assembly should discuss it during its Second Session. (Appendix " Q ") . It is also gratifying to note the similarities that exist between the proposal of the Committee and the Schuman Plan.

3.3. 3. Public Works and Full Employment Policy

The Committee undertook a preliminary study of a problem that dominated economic and political discussion two decades ago but which during the abnormal conditions of the war and the post-war years was forgotten, namely, the question of unemployment and depression.

The Committee limited its work to one particular aspect of this problem, the rôle of public works in a full employment policy (Appendix " R ") . The Committee proposes to continue its work on the subject and to enlarge it to embrace the wider problem of general antidepression policies.

3.4. 4. Co-ordination of European Communications

One of the subjects referred to the Committee was that of co-ordination of transport. The Committee considered it desirable to extend the study to the whole of the European communications system. It thus examined a short preliminary survey, presented by the Rapporteur of the Public Works Sub-Committee, pertaining to the present state of affairs in the fields of postal systems, telecommunications, maritime transport, road transport, railway communications and air transport (Appendix " S ") .

The Committee will continue to keep itself informed of the work being done in regard to transport co-ordination by various other international organisations, primarily the Economic Commission for Europe and the 0. E. E. C. It is, however, not prepared to put forward any definite suggestions on this subject at present, but proposes instead to await the results of the work of these other international bodies (Appendix " T ").

3.5. 5. European Public Utilities

The Committee, furthermore, studied the possibility of developing those national resources of Europe which are at present unexploited by means of the European Public Utilities scheme As part of its work on this point the Committee examined the proposals of the 0. E. E. C. to create a certain number of power stations in Western Europe. It also raised the question as to whether a special project such as the Rhine- Rhone canal should be contemplated in this connection. In view, however, of the absence of any executive European authority, the Committee refrained for the time being from making new recommendations for European public utilities but decided rather to support politically, and incorporate into its own recommendations, the concrete proposals already suggested by Member Governments or by the 0. E. E. C. (Appendix " U ") .

4. Conclusions

The Committee on Economic Questions would, in conclusion, like to direct the attention of the Consultative Assembly to certain aspects of its work.

4.1. 1 . The System of Sub-Committees

In view of the small number of members of sub-committees, it has been decided that, when a sub-committee cannot sit, it shall instruct a Rapporteur to prepare a Report on the questions referred to it for study.

4.2. 2. Political aspects of economic integration

The Economic Recommendations of the Consultative Assembly form a programme for achieving closer economic co-operation in Europe. The Committee would, however, like to emphasise that every measure aiming at some sort of unification implies the surrender of political sovereignty.

Many advantages are to be gained, however, even from an integration on a limited scale, comprising a restoration of transferability of the currencies of Member States, abolition of quantitative trade restrictions and a certain lowering of tariffs. In the same way, the "' functional " approach envisaged in the European Companies project and the Schuman Plan would seem to open up immense possibilities. The implementation of this programme should be considered the immediate aim of Member States and only when this has been achieved should the problem of complete economic union be broached.

5. Future work of the Committee on economic questions

The Committee will, in the future, try to limit the number of problems which it is to consider so as to permit a more profound examination of the issues involved. During the past year, the Committee had to examine a large number of subjects of varying importance. This was quite natural as the terms of reference laid down by the Consultative Assembly had of necessity to be extremely wide. There is no doubt, however, that this has, to some extent, hampered the Committee in examining certain questions of current interest in more detail.

The Committee on Economic Questions, therefore, suggests that the following items should be included in its programme for the coming year :

1. The Schuman Plan;
2. European Companies project;
3. European policy for full employment;
4. Co-ordination of investments and a European Bank of investments;
5. Trade betweenEastern and Western Europe;
6. The Stikker Plan;
7. Control of international cartels.

Without prejudging the relative importance of the various problems at present under consideration, the Committee proposes to the Consultative Assembly that it should restrict its agenda in the economic sphere to the following items :

1. The Schuman Plan;
2. European Companies project;
3. . A European full employment policy;
4. Relations with the 0. E. E. C ;
5. Control of international cartels;
6. European stamp.

Appendix 1 APPENDIX A

Report of the O. E. E. C. on relations between the Council of Europe and the 0. E. E. C. approved by the Committee of Ministers

ORGANISATION FOR EUROPEAN ECONOMIC CO-OPERATION

COUNCIL

Paris, 30th May 1950.

Report of the Committee appointed on 4th April 1950 to consult with the sub-Committee of the Committee of Ministers of the Council of Europe Cover Note by the Secretary-General

The Council of the Organisation for European Economic Co-operation, having considered the Resolution of the Committee of Ministers of the Council of Europe, of 1st April 1950, appointed, on 4th April 1950, a Committee of three Members, consisting of Italy, Sweden and Switzerland. This Committee was instructed to consult with the Sub-Committee set up under the above Resolution on the problems referred to in paragraphs 1 and 2 of it, and to submit a report on the subject to the Council of the Organisation.

On all points which the Committee considered to come within its terms of reference, the attached Report of the Committee contains proposals for the solution of the main problems raised by relations between the two organisations.

The Council is invited to take note of the proposals in this Report and, if they meet with its approval, to instruct the Executive Committee to put them into effect.

Report of the Committee

1. After preliminary discussions between ourselves, we met on 26th May the Sub-Committee of the Committee of Ministers of the Council of Europe consisting of H. E. Mr. Menemencioglu, the Turkish Ambassador at Paris (Turkey), Mr. F. Seydoux (France) and Mr. J. Coulson (United Kingdom).

2. As a result of these consultations we have the honour to submit the following proposals to the Council. Allowing for the different constitution and character of the two organisations, these proposals are meant to ensure fruitful co-operation between the Organisation and the Council of Europe. By helping to develop relations between the two organisations and between their two Secretariats, their implementation should make it possible to avoid duplication.

I

We consider that, in order to assure the desired uniformity and continuity, correspondence between the two organisations, whatever its origin or subject, should, as in the past, be dealt with by the two Secretaries-General

II

We consider that the intervention of the Chairman of the Committee of Ministers of the Council of Europe in the communication to the Organisation of economic and financial proposals originating in the Consultative Assembly or its Committees (point I of the Resolution of the Committee of Ministers of the Council of Europe of 1st April 1950, C (50) 94), is a satisfactory procedure.

The proposals of the Council of Europe would be examined by the Council which would reach a decision on each of them. However, the proposed procedure should make it possible, in most cases, for the Organisation to comply with the rocp-iests made to it.

III

The two Secretaries-General should be responsible for the exchange of information between the two organisations (point II of the above Resolution).

This question has three different aspects :

A. Documents Exchange between the two Organisations

The procedure so far adopted, described in C (49) 206 (Final), will continue to be employed for the despatch to the Council of Europe of restricted documents of the Organisation.

Without excluding the possibility of despatch in urgent cases, in the future, the Organisation would send documents of this kind at regular intervals to the Council of Europe, classified under headings and accompanied by short notes which would make it possible to relate the various documents to the respective fields of activity to which they refer.

Unrestricted documents would, of course, continue to be exchanged between the two Organisations.

B. Consultation of Organisation Experts by the Council of Europe

This question was raised in a letter from the Secretary-General of the Council of Europe dated 8th March 1950, informing the Secretary-General of the desire expressed by the Committee on Economic Affairs of the Consultative Assembly that it should be authorised to consult the national and international experts of the Organisation.

We consider that the Council might adopt the following principles in this matter :

a. *The consultation would take place between the two Secretaries-General, on the understanding that the Secretary-General of the Council of Europe could be accompanied by members of the Committee which had requested the consultation.*

The subject of each consultation should be limited and clearly defined in advance.

The subject should be within the competence of the Organisation and should concern questions which had already been studied by the Organisation.No statement on these consultations should be made to the press without the prior approval of the Organisation.

b. The following procedure might be adopted for the examination by the Organisation of a request for a consultation :

Any request for consultation submitted by the Secretary-General of the Council of Europe to the Secretary-General of the Organisation would be submitted by the latter, with comments, to the Council.

The Council (or the Executive Committee, if the Council decided to delegate its powers to that body) would have to decide on each occasion on the action to be taken on the request.

c. At the consultations, the Secretary-General would speak on behalf of the Organisation in accordance with the provisions of sub-paragraph 4 of the Annex to the Convention on European Economic Co-operation of 16th April 1948.

The Secretary-General could be represented by a member of his staff.

C. Assistance given by the Secretariat of the Organisation to the Secretariat of the Council of Europe for the preparation of the economic work of the various organs of the Council of Europe.

As part of normal relations between the two Secretaries-General and subject to the volume of work, the Secretariat of the Organisation would provide the Council of Europe with economic data and statistics of value to the latter.

IV

In connection with the suggestion made in the Report by the Chairman of the Council to the Consultative Group of Ministers (CGM (50) 3) on 25th March 1950, that an office should be set up at Strasbourg to supply information on the activities of the Organisation, we have suggested to the Sub-Committee of the Committee of Ministei's of the Council of Europe that circulation of publications of the Organisation should be entrusted to the Secretary- General of the Council of Europe during the plenary sessions of the Assembly.

The members of the Consultative Assembly would thus easily be able to obtain publications of the Organisation. In addition, it should be possible to arrange for the regular distribution of press communiqués to them.

3. The Sub-Committee of the Committee of Ministers of the Council of Europe approved all the ahove proposals. A single reservation was made by one member concerning the attendance of members of Committees of the Consultative Assembly of the Council of Europe at consultations between the two Secretaries- General.

C. BAUER - A. CATTANI (Chairman) - E. von SYDOW (Chairman)

Appendix 2 APPENDIX B

Comments of the O.E.E.C. on the Economic recommendations of the Consultative Assembly

ORGANISATION FOR EUROPEAN ECONOMIC CO-OPERATION

Secretary General

21st February 1950

Sir,

1. I have the honour to inform you that the Council of the Organisation for European Economic Co-operation has closely examined the proposals contained in the Recommendations on economic problems adopted by the Consultative Assembly of the Council of Europe, which you communicated to me in accordance with the Resolution of the Committee of Ministers dated 2nd November, 1949, and its preamble.

2. As you know, the Organisation has just published its second report on the European Recovery Programme. This report describes the progress made during the last two years and attempts to assess prospects for the next two years and to lay down the line of conduct which Member countries must follow to restore their economic equilibrium. It is a joint declaration by the governments of the 18 Member countries, defining their problems and the manner in which they propose to solve them. ThUs the report virtually contains the reply to most of the questions raised by the Recommendations of the Consultative Assembly.

3. It is for this reason that the Council has instructed me to transmit to you this report which is enclosed as Annex A to this letter. In the paragraphs dealing with each recommendation I have been careful, when the questions raised are dealt with in the report, to refer you to the relevant chapters.

PREAMBLE TO THE RECOMMENDATIONS

4. The problems which led to the framing of the Preamble to the Recommendations of the Consultative Assembly of the Council of Europe are also to be found in the general obligations described in Part I of the Convention for Economic Co-operation which set up the Organisation for European Economic Co-operation and in the preambles to the principal Council decisions, in particular those of 2nd November, 1949, concerning new measures of co-operation. I enclose copies of these two documents as Annexes B and C.

5. The introduction to the report and the general considerations which the latter contains show that Member countries are pursuing their recovery effort very much in the spirit of the original convention.

Recommendation 1 of the Consultative Assembly [2]

6. Recommendation 1 of the Consultative Assembly deals with the invitation to Governments to intensify the spread of economic information through existing channels and at the same time, to provide for the Council of Europe itself to take direct action by every available means, to make the peoples of Europe aware of the gravity of the peril in which they are living, and of the advantages to themselves of uniting their resources in a common effort to regain solvency and reach a new level of prosperity.

7. With the same end in view, the Organisation for European Economic Co-operation set up from the outset a branch responsible for issuing press releases, from Paris, on the current work and achievements of the Organisation, and for maintaining contact with the information services of Member countries in order to co-ordinate their individual efforts to keep their public opinion as fully informed as possible of the work of the Organisation.

8. The Organisation, convinced that the solution of economic problems is facilitated by enlightenment of public opinion welcomes the plan contained in the second part of the Recommendation of the Consultative Assembly.

Recommendation 2 of the Consultative Assembly [3]

2. See Doc. 71 (ordinary session 1949), Part I, § 1.
3. See Doc. 71 (ordinary session 1949), Part I, § 2.

9. Recommendation 2 of the Consultative Assembly concerns the taking of all practical steps to establish as quickly as possible a multilateral system of payments, including the restoration of the inter-convertibility of European currencies, subject to the safeguards necessary . to enable the movement of capital to be controlled during the transitional period.

10. The establishment of a multilateral payments scheme is one of the main tasks assigned to the Organisation for European Economic Co-operation. The idea is to be found in Article 4 of the Convention of 16th April, 1948. During the first two years of the Organisation's existence, payments were made under two payments and compensations agreements, the second of which, signed of 7th September, 1949, makes provision for multilateral drawing rights up to a certain amount. Since then, in execution of a decision of 2nd November, 1949, designed to enlarge the area of transferability of currencies between Member countries, thé Organisation is studying the principles of a multilateral payments mechanism.

11. These principles are set out in Section C of Chapter 23 of the Report.

Recommendation 3 of the Consultative Assembly[4]

12. Recommendation 3 of the Consultative Assembly concerns the creation of a permanent machinery for consultation on credit policy between central banks of issue and for the co-ordination of credit policy.

13. On 31st January, 1950, the Organisation decided that the Governments of Member countries should compare their financial, economic, social, tariff and investment policies, with a view to harmonising such policies insofar as this may be necessary for the establishment of closer mutual economic and monetary relations. As this undertaking will require considerable time, the Organisation recommended that a start should be made as soon as possible and that the effort be continued simultaneously with the measures for the liberalisation of trade planned for 1950.

14. Moreover, in connection with the new payments agreement which it is proposed to put into force as soon possible, the Organisation is considering the possibility of creating a European Payments Union (Chapter 23, para. 764 ff.).

Recommendation 4 (a) of the Consultative Assembly [5]

15. Recommendation 4 (a) of the Consultative Assembly concerns the follow up and the extension of the work of the Organisation in liberalising intra-European trade and all studies now being made in regard to the economic relations of Europe with its associated countries and its overseas territories.

16. Section B of Chapter 23 of the Report l'etraces the measures adopted by the Organisation for the liberalisation of intra-European trade. The Council decision of 31st January, 1950, inserted in this section sets out the new objectives which Member countries have set themselves in this field.

17. In the case of the Overseas Territories, the Organisation is carrying out a comparative study of the plans of each country for their economic and social development and is endeavouring to ascertain the means for strengthening the economic ties between Member countries and their dependent territories taken as a whole.

Recommendation 4(b) of the Consultative Assembly [6]

18. Recommendation 4 (b) of the Consultative Assembly concerns preliminary action for the establishment of a European economic union which shall retain the preferential systems and economic ties now in existence between certain European nations and their associated countries and overseas territories, and consider their progressive extension to other member states of this Union.

19. Referring to the terms of paragraph 2 of the Resolution of the Committee of Ministers of the Council of Europe, the Organisation has decided to ask for the comments of the European Customs Union Study Group on this point. The latter body was set up to examine the problems involved and the steps which would have to be taken on the formation of a Customs Union. Its composition is the same as that of the Organisation and the associated countries attend its meetings as observers.

20. As soon as they reach me, I will forward any comments which the Study Group might make on the proposal contained in Recommendation 4 (b) of the Consultative Assembly.

Recommendation 4 (c) of the Consultative Assembly [7]

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4. See Doc. 71 (ordinary session 1949), Part I, § 3.
5. See Doc. 71 (ordinary session 1949), Part I , § 4 (a)-
6. See Doc. 71 (ordinary session 1949), Part I , § 4 (b).

21. Recommendation 4 (c) of the Consultative Assembly concerns the study of the development of production within the territories of the Member countries so that their individual import requirements may be met as efficiently as possible from their combined resources.

22. This problem was thoroughly examined when the first two annual programmes submitted by the Organisation to the Economic Co-operation Administration were drawn up. The second part of the Report deals with the 1950-1952 Programmes.

23. As part of its Plan of Action for 1949-50, the Organisation decided to examine to what extent the reduction by Member countries of their dollar imports would make it possible to strike a balance between these imports and available resources. With this end in view, studies have been undertaken on agricultural products, textiles, non-ferrous metals, oil, machinery and timber. Chapter 17 of the Report, which deals with the development of resources in non-dollar areas, gives details of the conclusions so far reached in these studies which are still in progress.

24. Paragraphs 537 to 570 of the same chapter deal with the overseas territories and summarise the considered views of the Organisation on the development of sources of supply in the overseas territories.

Recommendation 4 (d) of the Consultative Assembly[8]

25. Recommendation 4 (d) of the Consultative Assembly concerns the study of appropriate action for the progressive abolition of the obstacles to the free movement of men, and for promoting the widest possible employment of labour in the metropolitan and overseas territories of Member countries and their associates.

26. The problem of international migration is broached in a section of Chapter 3 (paras. 122 ff.) of the Report" and in Chapter 22. The latter chapter, which is entirely devoted to this question, makes clear the advantages of creating channels of migration while stressing the difficulties involved. It shows that no easysolution can be found in Europe by the countries working alone.

Recommendation 4 (e) of the Consultative Assembly[9]

27. This Recommendation concerns the study of conditions under which the investment in the territories of Member countries of American capital or other non-European capital could be encouraged.

28. The problem of international investments has so far only been the subject of a preliminary study in the Organisation, whose general policy concerning this problem is described in Chapter 21 of the Report.

29. As is stated in the last paragraph of this Chapter the importance of the problem appeared to be such that it was decided to undertake a more detailed study. A decision of the Organisation dated 10th January, 1950, defines the scope of this study, which is to cover the present conditions and regulations for foreign investments in Member countries and their overseas territories, and methods for promoting international investments, particularly American, of benefit to Member countries and their overseas territories and likely to contribute to the attainment of the Organisation's objectives. A general report on this question will be drawn up in the near future.

Recommendation 4 (f) of the Consultative Assembly [10]

30. Recommendation 4 (f) of the Consultative Assembly concerns the extension and development of a system of guaranteed markets.

31. In the course of their work, several of the specialised Committees of the Organisation for European Economic Co-operation have been led to consider the part which a system of guaranteed markets might play in the development of the production of Member countries and their Overseas Territories.

32. The studies done on this subject have been carried furthest in the case of agricultural products. The report of the Food and Agriculture Committee (Report on the European Recovery Programme, Volume III, Section I, attached as Annex D) indicated, in paragraphs 40-48, that guaranteed prices and markets were one of the best ways of stimulating agricultural production.

Paragraphs 44, 57 and 58 of a second report by the Food and Agriculture Committee (AG (49) 31 attached as Annex E) also deal with this problem.

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7. See Doc. 71 (ordinary session 1949), Part. I, § 4 (c).
8. See Doc. 71 (ordinary session 1949), Part. I, § 4 (d).
9. See Doc. 71 (ordinary session 1949) Part I, § 4 (e).
10. See Doc. 71 (ordinary session 1949) Part I, § 4 (f).

Recommendation 4 (g) of the Consultative Assembly[11]

33. Recommendation 4 (g) of the Consultative Assembly concerns the calling of an Economic Conference on which both the Member countries themselves and their Overseas associates and Territories would be represented in order to study the proposals contained in Recommendations 4 (a) to 4 (f).

34. The Organisation is itself a permanent conference and has not so far considered calling a meeting of the kind recommended by the Consultative Assembly.

Recommendation 5 of the Consultative Assembly [12]

35. Recommendation 5 of the Consultative Assembly concerns the calling of industrial conferences, representing both employer's, workers' and consumers' organisations, as well as government services interested in the main manufacturing and agricultural industries, in order to make concrete proposals to the Assembly for the organisation of these industries and the increase in- their productivity in the common interests of Europe.

36. Chapter 18 of the Report shows that the Organisation attaches considerable importance to the problem of increasing productivity. The measures taken by the various Member countries in this field are described in this Chapter and it is to be observed that, in many countries, joint committees of workers and employers have been set up to examine how far it is possible to increase the productivity of the industries concerned. Where such committees de not exist, the Organisation advocates their establishment.

37. In the first Report published on 30th December 1948 (Interim Report on the European Recovery Programme, Volume I, which I enclose in Annex F), the Organisation stressed the importance of European co-operation not being confined to government level (paragraph 421 of the Interim Report). It is for this reason that the Organisation keeps official contact with the E. R. P. Advisory Trade Union Committee, the Council of European Industrial Federations, and in the agricultural field, with the International Federation of Agricultural Producers. It is through these contacts, that the above bodies can be associated with the Organisation's work on any question of common interest, and particularly that of productivity.

Recommendation 6 of the Consultative Assembly [13]

38. Recommendation 6 of the Consultative Assembly of the Council of Europe concerns the drawing up of a draft European convention for the control of international cartels.

39. The problem of the control of international cartels has not yet been examined by the Organisation.

40. I would be most obliged if you would be kind enough to communicate to the Committee of Ministers, these comments which the Council has instructed me to send you, on the Recommendations of the Consultative Assembly of the Council of Europe.

I have the honour to be, Sir, Your obedient Servant,

The Secretary General,

Signed: MARJOLIN

The Secretary General, Council of Europe.

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11. See Doc. 71 (ordinary session 1949), Part I , § 4 (g).
12. See Doc. 71 (ordinary session 1949), Part 1, § 5.
13. See Doc. 71 (ordinary session 1949), Part I, § 6.

Appendix 3 APPENDIX C

Resolution of the Committee of Ministers on the Recommendations of the Consultative Assembly in the Economic Field

The Committee of Ministers transmits to the Consultative Assembly the reply received from the O. E. E. C, with the following comments : The letter received from the O. E. E. C. shows that the problems raised by the Assemme bly's Recommendations Nos. 2, 3 and 5 are already under examination and are in process of solution by the 0. E. E. C.

As regards Recommendation No. 1, concerning the intensification of the spread of economic information to the peoples of Europe, the Committee of Ministers instructs the Secretary- General to establish contact with the 0. E. E. C. with a view to initiating the necessary publicity.

As regards Recommendation No. 6, concerning the control of international Cartels, the Committee of Ministers intends to establish contact with the Interim Commission of the International Trade Organisation with a view to undertaking a study of this problem in its European context.

With regard to Recommendation No. 4, concerning the calling of a European Economic Conference, the Committee of Ministers considers that the time has not yet come to convene such a Conference.

Appendix 4 APPENDIX D

Memorandum prepared by Secretariat General on the spread of economic information

Memorandum prepared by the Secretariat General on the Implementation of the Economic Recommendation. (Part 1 para. 1)

During its Sitting of 5th September 1949, the Assembly adopted a Recommendation to the Committee of Ministers on the role of the Council of Europe in the economic field (Doc. 71).

Paragraph 1 of Part I of this Recommendation invited the Governments to intensify the spread of economic information through existing channels and suggested at the same time to provide for the Council of Europe itself to take direct action by every available means to make the peoples of the Member States aware of the gravity of the situation in which they are living, and of the advantages to themselves of uniting their resources.

On 4th November 1949, the Committee of Ministers invited the Council of the 0. E. E. C. to examine the Proposals contained in this part of the Recommendation.

On 21st February 1950, the Secretary-General of the 0. E. E. C. informed the Secretary-General of the Council of Europe of the result of this examination. He reiterated the achievements of the 0. E. E. C. in the field of information, and stated that the Council of the 0. E. E. C. welcomed the plan contained in the Consultative Assembly's Recommendation concerning the spread of economic information to inform public opinion.

On 1st April the Committee of Ministers of the Council of Europe instructed the Secretary- General to establish contact with the 0. E. E. C. with a view to initiating the necessary publicity.

As a result of this decision, contacts were established between the two Secretariats-General.

Agreement was reached with regard to close collaboration and mutual assistance in this field. The Secretariat of the 0. E. E. C, like that of the Council of Europe, would welcome action by the Committee of Ministers to invite national information services to contribute to the " European education " of public opinion, in accordance with the Assembly's Recommendation. The Secretariat of the 0. E. E. C. would communicate to that of the Council of Europe the information which it was about to circulate, with a view to promoting measures for European economic co-operation; in this way there can be a synchronisation of the activity undertaken by the 0. E. E. C. and the Council of Europe in the field of information. Information from the 0. E. E. C. could be circulated to members of the Consultative Assembly who are likely to give them a wider diffusion. On the other hand, officials of the 0 E. E. C. could attend Press conferences of the Council of Europe every time a document issued by the 0. E. E. C. was to be discussed, and in this way would be able to elucidate the origin and meaning of this document to representatives of the Press. Finally, the Secretariat of the Council of Europe would undertake the distribution of 0. E. E. C. publications at Strasbourg.

Appendix 5 APPENDIX E

Interim Report on the Control of- Cartels adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe during its session of 13-17th December 1949

I. The Committee on Economic Questions presents to the Consultative Assembly of the Council of Europe the following interim report, as the basis of an inter-European draft convention for the control of cartels.

II. An inter-European Convention on the control of cartels should include the following items :

1. The establishment of a European Agreements Committee to be composed of a Chairman and six members chosen by the Committee of Ministers from a panel of 21 persons submitted by the Consultative Assembly.

2. The Convention should stipulate the declaration and registration of any trade combination or agreements concluded in Europe, either between firms belonging to the same trade or between firms of different trades.

3. The Committee shall have the power to forbid any contract or agreement which would tend to limit competition, as well as all practices, not necessarily agreements, which would have a similar effect. By practices, contracts and agreements are meant particularly those which tend to limit production and to impede reductions in cost prices.

4. The Committee shall be entitled to collect all information and receive any evidence, written or verbal, from individuals or groups. It shall have the power to act on its own initiative on the appeal of individuals or of interested groups, or at the request of a Government or of the Consultative Assembly.

5. When the European Agreements Committee decides that an agreement has not been reported, that documents or information have not been submitted, or that measures have been adopted contrary to the principles set out above, the Committee should be empowered to summon those concerned to appear before the competent national legal authorities (i.e. where the legal seat of the cartel, etc. is located) and to request the latter to declare the decision to be null and void, to dissolve the cartels or to impose a fine, as the case may be.

Appendix 6 APPENDIX F

Resolution on the Control of Cartels adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe during its Session December 15-17th, 1949

The Committee on Economic Questions, having examined the two memoranda prepared by the Secretariat-General, approves their general principles and instructs the Secretariat-General to establish contact with the Interim Commission of the International Trade Organisation and all other appropriate international organisations, in order to draw up and submit to the Committee at its next session a draft convention on the control of cartels.

Appendix 7 APPENDIX G

Resolution on European Monetary Reform adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe during its Session December 15-17th, 1949

PART I

1. The Committee on Economic Questions presents to the Consultative Assembly of the Council of Europe the following interim report as the basis of a plan for a general interconvertibility of the currencies of the Member States, the associate countries, and the overseas territories.

2. No plan for interconvertibility will alone provide the remedy for the economic weaknesses and difficulties of the Member States. Monetary reform must be accompanied by vigorous policies in industry, agriculture and commerce designed to increase efficient production and to remove undue restrictions on the mobility of goods, services and labour. At thé same time, there can be no doubt that convertibility on a multilateral basis would itself greatly facilitate the expansion of production and trade. This interim report is therefore a contribution in the monetary field towards the restoration of solvency, stability and prosperity in the non-dollar world, and if the Recommendations were adopted, a long stride would be taken towards the convertibility of European currencies into the dollar.

3. Hitherto attempts to make the European currencies interconvertible have met insurmountable difficulties, often of a political rather than a technical nature. If progress is ever to be made, these difficulties must first be brought out into the open and frankly discussed. Accordingly, as a preface to our Recommendations, we give some of the important causes for inaction which have long been better known to the experts than to the Parliaments and public opinion.

4. Today, most of the payments for current transactions between the Member States of the Council of Europe are made through bilateral agreements. These bilateral agreements restrict trade, and even then de not avoid the accumulation of unwanted balances of currency. We wish to see the trade of Europe put upon a multilateral basis. But when this is done there must be some method for settling the balances which will arise one way or another in many directions. The greater part of these balances can be cancelled by mutual compensation. But net credit and debit balances in favour or against the rest of Europe will ajways remain. It is the settlement of these net credit and debit balances which has proved so great a difficulty. No plan for interconvertibility can succeed for any period if it results in the accumulation of totally unwanted balances. But, equally, no plan will have an expansionist effect upon trade unless it provides an incentive to sell to countries which are unable to pay the seller in his own currency. It is therefore essential to include in the plan a method of settling the net debits which is a definite attraction to the creditor. Under present conditions, this involves partial payment in gold or dollars.

5. The questions then arise to what extent the Member States are willing to undertake the partial settlement in gold, and what is to be done with the balance of. the credits which is not settled in this way. The war has changed the economic pattern of Europe and no country can now be expected, as in the past, to provide dollars against all the earnings in its own cur rency by other European countries. For example, some half-way house has to be found between the existing and almost complete inconvertibility of sterling and the pre-war full convertibility. We make proposals for this and for the holding of the remaining balances which are left after the partial settlement.

6. We examined the special position of sterling. It seems likely that sterling cannot enter a European plan before an understanding has been come to between Great Britain and the other Members of the sterling area, to whom Great Britain has prior obligations. We hope that the Commonwealth Conference to be held in Colombo next month will afford an opportunity to discuss economic co-operation with the free nations of Europe.

7. Further, we have studied with sympathy the problem of the sterling balances accumulated during the war. It is clear that that part of these balances, which is not required for current purposes, must be funded or otherwise dealt with before unhealthy pressure on the pound can be removed. We note with satisfaction that conversations for a settlement of this nature are about to take place.

8. Assuming that the liberalisation of European trade makes progress parallel to the plan for interconvertibility, we must expect the net balances arising after the inter-European compensation to be difficult to predict, possibily large in amount, and certainly sensitive to the credit policies pursued in the different countries. In order to deal with this problem, we propose that a Monetary Fund should be established, which would offset, at the end of accounting periods of short duration, the credits and debits of

the participating countries. We describe the constitution of this Fund in Part II, as well as the arrangements for settling the net balances which would remain after the cancellations have been made. To keep the size of these net balances within manageable proportions, two proposals have been made, the first to allow exchange rates to fluctuate, the second to establish effective coordination in monetary policy.

9. The larger the net balances, the greater will be the difficulty of settlement, and the less effective will be whatever fund or pool of reserves has been created for this purpose. The strain on the reserves could be eased by changes in the rates of exchange.. It is impossible to know in advance whether the exchange rates adopted after the devaluation of the pound will reflect the natural relationships between currencies, once trade and payments are put on a multilateral basis. It has therefore been suggested that, as a kind of substitute for reserves, the exchange rates should, in agreement with the International Monetary Fund, be allowed to fluctuate within prescribed limits.

10. The arguments against this proposal are first that fluctuating rates are a serious element of instability in trade, and secondly that cross rates with the pound might be established which would make it possible to buy sterling area goods with cheap sterling and resell them for hard currencies. The possibility of such commercial transactions to obtain dollars will always arise in one form or another so long as sterling fails to command universal confidence. We are not, however, convinced that the case for daily fluctuations in the rates is sound, and therefore we recommend that changes.in parities should only be made when fundamental disequilibria are revealed.

11. The second proposal, and indeed one which is an integral part of any plan of interconvertibility, is co-ordination by governments of the various aspects of financial policy which affect the inflationary or deflationary tendencies in their economies. This is a fundamental issue which must be faced. Monetary co-ordination in Europe cannot proceed any distance if individual countries are determined to remain absolute masters at all times and in all ways of their domestic credit policies.

12. In our first report to the Consultative Assembly, we gave our unanimous support to the policy of full employment. We are convinced, however, that possibly before, and certainly after, the end of E. R. P. funds, it will be impossible for any one of the 0. E. E. C. countries to maintain full employment by isolating its economy and pursuing a credit policy at variance with its neighbours. We believe that co-operation offers the best chance to maintain the volume of work and real wages in all the Member States.

13. Today there is full or nearly full employment in most of the Member countries. It follows that a successful plan of interconvertibility accompanied by the liberalisation of inter- European trade will in the short run divert goods from export to the outside world to consumption inside Europe. In the immediate future Europe's dollar earnings will decline although in the long run Europe's productivity will be increased by the expansion of inter-European trade. While this is happening, E. R. P. funds will also be decreasing.

14. It was suggested, therefore, that a plan for inter convertibility must be fortified by a common policy for earning and using dollars, and that a dollar pool should be established, into which the participants should put their gold and dollar reserves and their current dollar earnings and such sums as the United States Government might be willing to contribute. We rejected this proposal as too ambitious and too rigid in the control over European economies which it would require.

15. On the other hand, we agree that arrangements inust be made for a European Stabilisation Fund, as proposed in Part III. This Fund would be separate from the Monetary Fund composed of local currencies out of which the compensations of European balances will be effected. This Stabilisation Fund would be formed by contributions in gold and dollars, as described in Part III of this report, and through the Fund would be made the partial settlements of the net European balances. But its primary object would be to stabilise the dollar parities of the European currencies.

16. It has also been suggested that the free nations of Europe might find the most effective way to attain convertibility would be to use the machinery of a system like the sterling area. There are obviously great advantages in building upon a currency which circulates over so large a part of the world, and the management of which has had such a long and successful history. But such a proposal would only be acceptable if Great Britain gave guarantees regarding the stability of the pound and allowed the new Members of the Sterling area system to influence the exchange policy of sterling.

17. Our plan therefore falls into two parts. First we describe a method for settling the net credits and debits arising from inter-European trade under a system of interconvertibility of currencies. Secondly, we make a proposal for a European Stabilisation Fund. We de not attempt to work out these proposals in detail. That is the task of experts. But as members of our Parliaments we feel that the Standing Committee of the Assembly

should without delay, recommend to the Committee of Ministers the proposals made below, which would afford a basis for the multilateral settlement of payments arising out of trade between the Members of the Council of Europe and their overseas territories and associates.

PART II

Plan for Inter-European Convertibility and a Monetary Fund

1 . Extent of Convertibility

For current transactions the currencies of the participating countries and their overseas territories and associate countries would become freely convertible between each other. Each participating country would guarantee[14] that this convertibility could not directly or indirectly serve the purpose of thereby converting the currency of a participating country into dollars or into the currency of a non-participating country, except as laid down in paragraph 3 below.

By current transactions is meant :

a. Commercial debt settlement (imports and exports in response to current demand for production and consumption, and for capital equipment) ;

b. Invisible transactions :

c. personal expenditure while abroad; expenses involved by commercial transactions and settlements; other normal expenses; tourist traffic; immigrants' remittances; etc.;

d. profits earned abroad; remuneration for services; service of capital investment abroad;

e. insurance and re-insurance. Capital transactions would, in principle, be excluded from the system of convertibility, with the exception of those of a routine character, such as donations and legacies, capital bonuses, etc.

For the above current transactions foreign exchange will automatically be provided. On the other hand, capital transactions will be excluded from automatic convertibility and will require previous authorisation.

In conjunction with the introduction of interconvertibility of the currencies of the participating countries, a long term settlement of large balances which were built up as a result of the war is essential in the general interest.

2. European Monetary Fund

A European Monetary Fund should be established to operate the monetary clearing between the participating countries. This Fund would be constituted by local currencies.

3. Settlement of Balances between Participating countries

The settlement of balances between participating countries would be on a multilateral basis. The net debit and credit balances (after clearance of mutually cancelling items) resulting from payments on current account would be established at the end of each accounting period. A small percentage of the net debit balances would be settled at once in gold or dollars. The accounting period would have to be as short as possible to check the accumulation of unduly large balances. The contribution by the debtor country in gold or dollars would give an incentive for the efficient working of these proposals and would act as a further deterrent to a country acquiescing in the continuance of a large debit position on current account.

In order to preserve the multilateral character of the system, the gold and dollar funds, which become payable at the end of each accounting period for the liquidation of debits outstanding, would be distributed among the participating countries in proportion to the size of their outstanding net credit with the other participating countries taken as a whole, and regardless of the amount of the particular currencies of which they had a

14. We know a serious risk exists that all countries will not be able to operate efficiently an exchange control of the kind here envisaged. But if those who hesitate to enter the plan because of this risk are themselves able to control capital movements, and have taken the necessary steps to remove inflation from their economies, they will have little to fear. The possibility of leakages and black markets'exists today and will only be removed by sound financial policies pursued in all the participating countries.

credit balance. Each creditor country, as a contribution to European recovery and unity, would continue to hold the remainder of these balances sufficiently long to give the general scheme of convertibility a fair chance.

Countries which are accumulating substantial net credits should be encouraged to export capital to the other members of the Fund, and countries whose economic position today is exceptionally difficult should be granted longterm credits by the other members of the Fund.

In this way, all currencies of the participating countries would be made equally acceptable to creditor participating countries. It follows that existing bilateral monetary agreements, between participating countries, as for instance, those containing a gold clause, would have to be abrogated.

4. Exchange Rates

The parities of the currencies of the participating countries would be in direct relation to the exchange rate of each particular currency with the dollar, thus eliminating cross rates.

The question of the alteration of the parities in appropriate cases is dealt with below.

5. Coordination and Control

No policy of convertibility, however technically excellent, can survive without a co-ordination of the monetary, budgetary and commercial policies of the countries concerned.

The scope of such co-ordination must include :

a. The national policies of the participating States in relation to credit rates of interest, and capital formation.

b. The Budgetary policies, not in their detailed provisions, but in regard to those aspects which entail inflationary or deflationary consequences.

c. The acceptance as an object of policy of a high and stable level of employment..

d. The flow of capital to those Member States whose needs are most urgent.

There should be constituted a Committee of the Finance Ministers of the participating countries which would meet periodically to discuss the European monetary problems and to co-ordinate action for carrying out the four principles stated above.

6. If any participating country remained in persistent debit or credit in such a way as to indicate fundamental disequilibrium, the Committee of Finance Ministers should recommend an alteration of "parity with the approval of the International Monetary Fund.

PART III

A Common Dollar Policy

1. A European Stabilisation Fund would be established through which the gold and dollar payments in partial settlement of the net balances would be made. The debtor would contribute the amounts required from his free reserves. It -is hoped that for a period the creditors would agree to leave these gold and dollar payments in the Stabilisation Fund.

2. The holdings of gold and dollars in the Fund would in the first instance be established by contributions from the participating countries, which might largely take the form of an agreement with the International Monetary Fund to use the quotas of the participating countries for this purpose. The Fund would be a convenient medium through which the U.S. Government could contribute such amounts of E. R. P. funds as it desires for the strengthening of European currencies.

3. A proportion of the current dollar earnings of the Member States would be paid into the fund. This proportion would vary according to the long term character of the foreign trade of the country concerned.

4. The drawings out of the fund would be under the control of the management of the fund which would be responsible to the Committee of Finance Ministers, who would, take into consideration the import requirements of each country from the dollar area.

Appendix 8 APPENDIX H

Interim Report on Commercial Policy adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe 17 th December, 1949

I. The Committee on Economic Questions presents to the Consul tative Assembly the present interim report on the question of Commercial policy.

II. The Commercial Policy's Sub-Committee, having been entrusted with a study of the following subjects :

a. liberalisation and development of inter- European trade,

b. development of exchanges to the countries of Eastern Europe by means of special agreements between Member States,

c. creation of European societies,

d. the creation of a European postage stamp and,

e. the development of the European tourist industry, has studied (a), (b) and (c) and reports as follows :

1. Regarding liberalisation of trade as a desirable objective for the Member States of the Council of Europe, the Sub-Committee draws attention to the. unequal standards of life and difference of degree of industrialisation among the States concerned. These differences are a major reason for the continued desire of certain States to protect the special interests of their industries. Indeed, an indiscriminate and general liberalisation of trade would inevitably result in bankruptcy and unemployment in many industries hitherto protected. Liberalisation must be, in the first instance, selective. The Sub-Committee welcomes the projects recently proposed by the United Kingdom and other countries to promote the liberalisation of inter-European trade on a basis of reciprocity. It recognises, however, that unless further action is taken to harmonise both the monetary policies and the economic arrangements of Europe, it will be difficult to achieve a degree of liberalisation which is completely satisfactory.

2. In order to facilitate these reforms, the Sub-Committee proposes that in cases where national industries regard themselves as being endangered by further measures of liberalisation, the Governments concerned should set up, industry by industry, standing Committees representative of employers, workers, consumers and governmental organisations, the whole to be under the aegis of the Committee of Ministers. The function of these Standing Committees will be to promote such industrial specialisation and division of labour as will permit a progressive and benevolent liberalisation of trade.

3. While welcoming the proposed regional groupings for the liberalisation of trade as a stage towards a more general liberalisation, the Sub-Committee recommends that no arrangements for such regional groupings should be confirmed without prior consultation with the remaining Members of the Council of Europe.

4. The Sub-Committee, having considered the question of trade with Eastern Europe, affirms its belief that the division of Europe as a result of political developments has produced a distortion of the total European economy. This division, which separates producers from their natural markets, is in fact a major cause of Em'ope's economic malaise. As far as Western Europe is concerned, it has resulted in the concentration of exports of industrial countries into already highly industrialised and competitively producing areas. The most striking example is the diversion of German industrial exports from the complementary markets of Eastern Europe into Western Europe in the Western Hemisphere. The Sub-Committee therefore regards as desirable any measures which will promote trade between Eastern and Western Europe, providing that it shall be in commodities and products for peaceful use to the general advantage.

5. In these circumstances, it is desirable that the Member States of the Council of Europe should co-ordinate both their purchases and their sales to Eastern Europe. The Sub-Committee therefore proposes that the Council of Europe makes use of the Sub-Committee of Inter-continental Exchanges, established by the European Economic Commission in Geneva to this end. The Council should then initiate consultations with the countries of Eastern Europe, or with individual countries of Eastern Europe, in order to determine the most suitable method for enlarging trade between Eastern and Western Europe.

6. The Sub-Committee is of the view that the integration of Western Europe can be materially assisted by the establishment of joint functional agencies. It therefore recommends to the Economic Committee and the Committee of Ministers a careful consideration of the proposal for creating European Companies or Joint Corporations as outlined in the accompanying memorandum. It considers that public corporations of this kind offer the most promising field for development and would not expose themselves to the charge of being a new

form of international cartel. The merit of joint public corporations lies primarily in knitting together for common purposes countries which often in the past have had reason for dispute about the very objects in which it is now proposed that they should co-operate.

7. In this respect, it is desirable to contemplate the establishment of a pilot public European Company for the development of hydroelectrical power for South and South-West Europe, the technical possibilities of which have already engaged the attention of 0. E. E. C.

8. The Trade Sub-Committee shall reconsider at its next Session the foregoing points as well as the other items in the Agenda.

Appendix 9 APPENDIX I

Memorandum on trade between eastern and Western Europe - Prepared by the Secretariat-General

1. It is generally recognised that an important reason for the present disequilibrium in Western Europe's economy is the fact that its trade with Eastern Europe has failed to reach anything like the pre-war level. In 1948 the volume of Eastern European exports to the 0. E. E. G. area was only one-third of the pre-war volume, while the figure for the deliveries in the opposite direction was 42 %. Although the figures for developments in 1949 are not yet available, it seems that there is no substantial change in the volume of trade between the two areas. Of particular interest in this connection is the large decline in Eastern Europe's exports of foodstuffs and raw materials. The exports of food, beverages and tobacco are only 18 % of pre-war volume. This shift has compelled Western Europe to look elsewhere for its supplies of these commodities, mainly to the dollar area. If, therefore, the pre-war pattern of Inter-European trade could be re-established at its former level a vital step would have been taken towards the solution of the dollar problem. At the same time, it is only too evident that this issue is very complex and fraught with obstacles of a political rather than an economic nature. It was, consequently only to be expected that the Consultative Assembly should decide to refer this problem to the Commercial Policy Sub- Committee for further study before making a recommendation on the subject. An attempt is made below to outline the factors involved so that they may be considered by the Sub- Committee.

2. Economically, one important cause of the stagnation in East-West trade is the serious gap resulting from the drop in German exports. Germany occupied such a dominant position in the trade with neighbouring Eastern countries that, when she ceased to be a major exporter, the effect on the flow of goods between East and West was severely felt. The elimination of Germany, however, only explains part of the decline in trade. To a great extent, it was clue to the lack of " exportable " commodities. Thus one can point to the low level of agricultural production throughout Eastern Europe since the war. This has, to a great extent, eliminated the exportable surplus and even though considerable recovery has been made during the last two years, the output of foodstuffs is still below pre-war level. Moreover, the reconstruction needs of Western Europe diverted to domestic consumption many of the goods that in normal times would have found their way to the Eastern European States.

3. The plans for the development of Eastern Europe constitute a further obstacle to the revival of East-West trade. While the causes enumerated under paragraph 2 are of a temporary nature and may be overcome as the German industrial recovery proceeds and the harvests of Eastern Europe return to normal, the implementation of the economic plans of the Eastern European nations will have a more permanent effect on the inter-European trade pattern. The primary object of these plans is to accelerate industrialisation even though it should retard the development of agricultural production. For the policy of the Eastern European countries seems aimed at reducing their dépendance on trade with the outside world and at increasing their self-sufficiency. Thus, in future, many of the commodities imported from Western Europe before the war will now be produced domestically.A corresponding shift is noticeable in the Western European economies where the trend is now definitely towards an increase in agricultural output. If these inter-related tendencies in the two areas continue, a return to the pre-war composition of trade might present difficulties. However, it is unlikely that up to now any significant shifts have occurred. The emphasis on food production in the West can be justified by the increase of the population in this area. Furthermore, it should be stressed that even if an industrialisation of Eastern Europe means a direct reduction in demand for certain " traditional " Western European export goods, this decline will probably in the long run be offset by increased requirements of other commodities, since by itself industrial development of an area does not necessarily mean an overall reduction in the imports of this area.

4. There are other explanations of the trade stalemate. It is evident that the " weeding-out " for political reasons of the majority of commercial agents, business men etc., in Eastern Europe, has increased the difficulties in the way of the re-establishment of trade connections. The Government Trade Boards which often have assumed the role previously played by private exporting and importing firms have not yet acquired commercial " savoir-faire " and are mostly composed of persons without previous business experience. Finally, it should be pointed out that the Eastern European Governments have tended— allegedly for security reasons •— to restrict the granting of entry permits to foreign trade representatives desirous of visiting their countries and of engaging in business transaction.

5. It is obvious, however, that the factors mentioned above de not in themselves explain fully the reasons for the East-West trade deadlock. The main cause is political rather than economic; Europe has been split into two compartments and communication between them is practically non-existent. The controversy on the political level is reflected in the economic sphere and has resulted in a series of measures which have still

further diminished the flow of commerce. According to the Eastern European States, the chief obstacle to the revival of Western Europe's export trade with the East has been the embargo, agreed upon by the Atlantic Treaty Powers, on the export of " strategic " goods. It is true that the interpretation of " strategic " has widened progressively, and now covers not only military goods in the strict sense of the word but also such commodities as mining equipment and merchant shipping. Owing to their large-scale industrialisation programmes, the Eastern European countries are particularly interested in importing capital equipment, particularly those commodities which arc affected by the embargo. On the other hand, they have limited to a minimum their purchase abroad of consumer goods in the attempt to concentrate all available resources on the execution of the industrialisation plans. Consequently the Western European nations cannot hope to develop an export trade with the East in such goods as textiles, food-stuffs, etc.

6. The strict licensing of capital goods by the West has caused the Eastern European nations to take counter-measures. They have striven to achieve closer integration of their economies and increased co-operation with Soviet Russia. The latter country is tying the Eastern European countries more closely to her own economic system, and it seems evident that to some extent she has been able to deliver thé capital equipment which Western Europe is unable or unwilling to supply.

7. The problem of East-West European trade is thus, to a great extent, a purely political issue. As long as the present tension in international politics continues, prospects of a solution on the economic plane seem rather gloomy. There is no doubt that the embargo on " strategic " goods is an important item in the present deadlock, both owing to its psychological effects and from the practical point of view. Nevertheless political developments in Eastern Europe during the last few months indicate that these nations have gone a long way in their attempt to alter the pre-war pattern of trade ; they are isolating themselves politically and economically from the West whilst at the same time orientating themselves towards the Soviet Union and achieving integration among themselves.

If these recent trends are to be regarded as proving that prospects of trade with Eastern Europe are likely to remain uncertain, then Western Europe should put forth still greater effort into the execution of the agricultural expansion programme, while at the same time increasing the export drive in those overseas markets where foodstuffs and raw materials can be acquired. If, on the other hand, it is believed that there is some possibility of improving trade relations between East and West, then far-reaching changes in the Western economies and their trade pattern should be avoided while at the same time new approaches to the problem should be explored. In this connection attention might be drawn to the work of the Committee on the development of Trade established by the Economic Commission for Europe. Recently the Executive Secretary of this Commission suggested that a solution of the East-West trade deadlock be found through multilateral negotiations within the Trade Committee, based on the following principles :

a. relatively long-term purchase commitments by the Western countries for cereals (and possibly other supplies) from the Eastern countries, framed somewhat on the model of the International Wheat Agreement, with upper and lower price limits, and minimum quantity commitments ;

b. a commitment on the Western side that the proceeds of the sale of these products could be used for the purchase of goods on lists to be agreed upon;

c. if it were desired, such an agreement could also provide for increased flexibility in the payments, of this agreement. It could, for instance, be agreed that currencies earned through an export surplus in one country could be used for purchases in another.

Against this multilateral approach at the governmental level, it has been argued that such talks would be fraught with difficulties because the governments have adopted their policies for political reasons. A government might even fear that to express a desire to open up trade discussions along the above lines might be considered as a sign of weakness. If this reasoning is deemed realistic, the alternatives are obviously either an increased effort to expand trade by the intermediary of the normal bilateral negotiations with each Eastern government or the indifferent attitude of " wait and see ". The latter view would obviously be based on the idea that all attempts to reach a purely economic solution would be doomed to failure so long as the political problem persists.

Appendix 10 APPENDIX J

Report on the Creation of a European Stamp

Three main reasons might be given for the creation of a European stamp :

a. Such a stamp would symbolise the unity of the Member States.

b. It would have propaganda and publicity value in that it would draw attention to the Council of Europe, both within and without Member States.

c. Finally, the project of a European stamp could be realised in sucli a way as to provide a source of revenue for the Council of Europe. The proposal for the creation of a European stamp could be implemented in five ways :

(a) The Red Cross Type

One method would be to issue, not a postage stamp in the strict sense of the word, but a paper mark, having the form of a stamp and bearing a symbol of the Council of Europe and of the idea of European unity. It would haye no face value, but would be affixed to letters, etc. as are stamps used voluntarily for charitable purposes - i.e. so-called Red Cross and Anti- Tuberculosis stamps. The sale of these stamps should, preferably, be restricted to a certain period of the year, for instance, to the month when the Assembly is in Session. The receipts from the sales would accrue to the Council of Europe.

There are certain objections to this solution. In the first place it is, of course, not a " European Stamp ". Secondly it would seem incongrous for the Council of Europe to use the same methods as, for instance, the Red Cross to finance its activities. Finally, difficulties of distribution might arise. It is not at all certain that the Postal Departments of the Member States would permit these stamps to be sold by post offices.

(b) Issue of a uniform stamp

An alternative method would be the creation of a uniform " vignette " to be used simultaneously by each Member State so that identical stamps would be on sale throughout Western Europe. The national issues would vary only as regards country, name and value of the stamp. This method at once raises the question whether the issuing of such stamps would be continuous, or whether the series would appear once only. The former is more in line with the idea behind the creation of a European Stamp. Again, if this solution is accepted, the problem arises whether the same face shall be kept from year to year or not. From many points of view, from that for instance of propaganda, it would seem preferable to vary the appearance of the stamp each year. On the other hand, it might be well to keep one " standard " vignette in the European Postage Stamp series, while varying periodically the face of the other stamps in the series.

It should be noted that there is a technical obstacle to this solution; the fact that in certain Member States it is prescribed by law that the portrait of the sovereign appear on each stamp. A uniform " European " stamp would thus not be possible unless such existing legislation were changed, or unless the countries concerned were allowed to superimpose the portrait. Moreover, the U. P. U. Convention which expressly prohibits the limitation of stamps to within certain areas, must be taken into consideration. Within the rules of this Convention, it is not possible to issue a European stamp of uniform face which would be valid only for mail within the area of the Member States,

(c) Stamp with " surtax "

The drawback of (b) above, as compared with the " red Cross " solution, is that it does not provide the Council of Europe with a source of revenue. It would, however, not be impossible to introduce into the scheme some mechanism whereby this object too could be achieved. The method at present adopted in, for instance, France, Norway and Belgium might usefully be applied. In these countries stamps are issued from time to time bearing two figures, one showing the value of the stamp for mailing purposes, the other denoting the " surtax ", i.e. the extra sum paid on purchase that it set aside for a charity or other purpose. The figure " 25 -15 " francs on a stamp means that the face-value of the stamp is 25 francs but its cost 40 francs. The European stamp would thus have two figures, the second showing the revenue intented for the Council of Europe.

One obstacle to this alternative is that in most countries only charitable organisations may avail themselves of this method of collecting contributions from the general public.

(d) Special rate for Member States

Even though the establishment of special reduced rates for mail between Member States does not, properly speaking, fall under the heading " European Stamp ", it would seem useful that the Sub-Committee should consider this problem. Such a measure could be justi lied from several points of view. It would be a small and symbolic step towards the breaking down of economic barriers between the Member States.

On the other hand there are certain difficulties involved in executing this project. In the first place, the existing U. P. U. convention limits the possibilities of reducing the postal rates.

According to its provisions the standard rates for the forwarding of mail to different areas are fixed by the U. P. U. in " gold francs ". Each member country then converts this figure into its national currency, and the resulting rates have to be applied by the Postal Department. However, each country is allowed to raise this standard rate by 40 % or lower it by 20 %.

Another difficulty is the attitude which the national Treasuries would probably adopt. They are not likely to favour a measure which would entail a reduction in state revenue.

(e) Creation of a " cancelling slogan "

A fifth alternative for the European stamp would be to introduce a special slogan on the outgoing mail of the Council of Europe. This slogan could suitably form part of the stamp cancellation made by the Strasbourg Post Office.

The Problem of Publicity

As the creation of a European stamp has potential publicity value, it would seem that this should be exploited to the full. One way of doing so would be to arrange to decide the appearance of the stamp by means of a competition. The competition would be open to artists of all Member States and could be held annually. If the proposal to create a European Stamp is adopted, the Committee on Economic Questions might request the Directorate of Press and Information of the Secretariat-General of the Council of Europe to report on the publicity aspect of the question.

Proposed Procedure

When the Committee has expressed its views on the above alternatives, it will be necessary to make a more profound study of the problems involved. It would seem that the correct procedure would be for the Secretariat-General to contact the Bureau of the International Postal Union in Berne with a view to obtaining its unofficial opinion.

Appendix 11 APPENDIX K

Interim Report on steel Production adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe during its session of 15-17th December 1949

I. The Committee on Economic Questions presents to the Consultative Assembly of the Council of Europe the following interim report as the basis of a plan to harmonise steel production in the Member States.

II. The Committee, having duly examined the report of the Steel Committee of the Economic Commission for Europe in general, finds that :

1. The estimated figure for total exports, and domestic consumption of steel for 1952 will not, even under the most favourable assumptions, exceed 61 million tons, whereas at present a production of 69 million tons is foreseen.

2. It is therefore estimated that within a short period there will be a non-marketable surplus of 8 million tons of steel, corresponding to 2 billion dollars' worth of investments.

3. This fact threatens to cause in a short time economic dislocations which may entail political difficulties between the three major exporting countries, the United Kingdom, France and Western Germany, as well as unemployment and social conflicts from which only Russia will benefit.

4. In view of this clanger, contacts are now being established between the various steel producers which could shortly lead to the restoration of an inter-European Steel Cartel. If, however, the Cartel repeats its pre-war mistakes, it is likely to restrict output and keep up prices in such a way as to encourage the existence of marginal firms and to procure differential monopoly prices for maintaining the high level of cost prices. The Cartel will thus hinder the development of exports even further, and imperil the chances of survival of Europe's economy in the international market

5. In these circumstances, the problem is not so much to adjust the investment plans in the steel industry and abandon the idea of building up small steel plants with high cost price levels, as to increase considerably investments in the steel consuming industries (machinery, cars, buildings, agricultural equipment, etc.) and in the ultimate consumer industries (reconstruction, and development of agricultural production).

III. The Committee considers that :

6. The economic equilibrium of the European iron and steel industry cannot be reached by a complete lack of controls on the national level which would rapidly lead to a crisis, nor by a cartelisation which would raise cost prices, but only by dove-tailing production and investments in the steel industry under the control of public authorities.

7. To this end, it is necessary to set up a public steel organisation to be composed of experts of the producer and steel-consuming Governments, which will be empowered to study and make known what should be the industry's general policy, especially with regard to investments, the volume of output and prices. This European organisation should report on its work both to the various Governments and to the Committee on Economic Questions of the Assembly of the Council of Europe.

8. This public organisation will work alongside with a consultative body composed on the one hand of producers (both employers and workers), and on the other hand of representatives of the public interests and the steel consuming industries; its function will be to advise the European authority on all subjects of general interest to the industry in question. The necessary balance between the production and the consumption of steel, however, can only be achieved within the wider frame of a general plan for the European basic industries which would at the same time satisfy the needs for employment. To this end, it will be necessary :

To create a similar organisational structure for the other basic industries (coal, petrol, electricity, transport services, etc.)

To increase the authority of 0. E. E. C. while at the same time requesting it to work out a general investment plan for the major European industries and to arrange direct liaison between this body and the Economic Committee of the Assembly for this purpose.

Appendix 12 APPENDIX L

Interim Report on Agricultural Production adopted by the Committee on Economic Questions of the Consultative Assembly of the Council of Europe during its Session of December 15-17th 1949

1.The Committee on Economic Questions presents to the Consultative Assembly the following interim report as the basis of a plan for increasing agricultural productivity in the Member States.

2. The Sub-committee for Industry, Agriculture and Food, having examined in detail the documentation collected by F. A. 0., E. C. E. and 0. E. E. C. on the present state of the production and consumption of agricultural produce in free Europe, and on the programmes and estimates for the years to come, observes :

the imperative necessity to increase all agricultural produce, due to :

a. the increase in the population (over 10 % since 1938);

b. the obvious necessity of raising, quantiatively and especially qualitatively, the standard of consumption in certain countries and for certain classes of populations;

c. the necessity of reducing if possible, and in any case of not expanding, the quantity of imports for which there is a shortage of currencies or of exportable surpluses of other regions, or of transport facilities.

the fact that the national programmes for the development of agricultural production are inadequate (even if they were ever fulfilled) to satisfy all these objectives, because :

a. only 9 % of total estimated investments for these countries are set aside for these agricultural programmes, which is too low a figure;

b. these programmes have been worked out without reference to the problem of how the planned production will be marketed and distributed; and this in its turn may entail the risk that the producers will not make effective use of the planned investments;

c. the production programmes are inadequately co-ordinated, so that there is a danger of surpluses in certain products and of deficiencies in others;

the fact that the possibilities of soil, manpower and agricultural technique will without doubt enable the desired level of production to be reached, and also the lowering of cost prices necessary for the marketing of the products and for the raising of the level of consumption—that is, if adequate steps are taken.

3. The Sub-committee reminds the Governments of the Member States of the responsibilities entailed by these observations, and the fact that the different kinds of agricultural production constitutes 25-80 % of the total economic activities of the various countries and that it would be futile to base an economic recovery almost exclusively on industrial, activities, where it is technically much more difficult to increase productivity and which are dependent on the situation in the agricultural sphere.

4. On examining what concerted action should be taken by the Governments of the Member States, the Sub-committee recommends

(i) the study of the extent to which the considerable disparities in the various national policies affecting the costs às well as other conditions of agricultural production can be reduced.

No healthy competition or co-ordination between the agricultural spheres for increased productivity is possible until these anomalies have disappeared.

The Member States must therefore tend to unify their policies in regard to the basic factors of agricultural production (price of fertilisers, motor fuel, machinery, credits e t c .).

(ii) the study of the necessary means for establishing a secure outlet for produce at a remunerative price for the producers.

It is much more necessary to secure such an outlet for agricultural produce than in the industrial sphere, owing to special elements in agricultural production. Such a procedure is, in fact, essential for the speedy development of this form of production.

This security of marketing could be sought in the setting up of Produce Committees, the aims of which would be to :

organise markets,

assimilate surplus stocks,

analyse jointly markets and production within the reach of agricultural producers.

(iii) to direct a far larger part of the possible investments towards agricultural production, particularly for the development of the use of fertilisers, to spead information on technical progress, and for soil improvement (irrigation, drainage, consolidation of holdings), and particularly to carry out a concerted action for the development of agricultural production in overseas territories.

5. Moreover, the Committee especially draws the attention of the Member States to the situation in the Mediterranean countries, particularly Greece and Turkey, whose economy is based almost exclusively on agriculture, where the standards of nutrition are low, and for which the development of agricultural production and the lowering of cost prices is of paramount importance, but which are particularly in need of the help of the other Member States especially for the opening up of new markets for their exportable high-quality produce.

Appendix 13 APPENDIX M

Memorandum on Co-ordination of Investments - Prepared by the Secretariat-General

It cannot be denied that the scarcity of raw materials and the disequilibrium in the balance of payments, with which Europe was beset when the war ended in 1945, have helped to accentuate certain trends towards protectionism and autarky fashionable since 1930. Some of the investments made since the end of the war, (and that, sometimes, with the help of Marshall Aid dollars) while undoubtedly justifiable on grounds of national interest, nevertheless overlap with the investments of other countries and, indeed, might have been more productive elsewhere.

This policy is particularly to be regretted at a time when the exports to the U. S. A. necessitate, instead, a maximum production through a better division of labour.

Furthermore, investments of such a nature are hardly likely to survive a real liberalisation of trade and the keen competition which will ensue; they constitute additional obstacles to a European economic union and render its accomplishment more difficult.

While it may be added that it is easier to forestall an investment which is unlikely to be profitable than to effect a « disinvestment » after the event, the co-ordination of investments appears to be both necessary in itself and a first step towards the economic integration of Europe.

Possible standards

It would be necessary to reach an agreement on the standards by which this co-ordination should be guided. This question might be treated from three different points of view : economic, political and one which might be termed monetary. Among the purely economic standards a first choice would appear to be that of the relative costs of production which would aim at the most efficient division of labour. There are, however, both practical and theoretical objections to the adoption of this criterion.

It is very difficult to estimate in advance the cost of any particular manufacture in a specified region. It is, in this connection, sufficient to point to such factors as the location of raw materials, wage rates, technical skill of the labour force, transport facilities, tax rates, social security charges, etc., in order to appreciate the impossibility of establishing a formula for an exact comparison of relative costs.

Such a comparison, if it could be made, would in general show that production costs are lower in areas which have already attained a certain level of industrialisation. The use of this criterion would therefore entail the creation of new factories near the old ones and a failure to equip areas which are less economically developed, as was, for example, for a long time the case in the Southern States of the United States. Too strict an application of this standard would thus tend to preserve the present economic structure, disregarding the dynamic aspect of the economic process.

In spite of these difficulties, it is obvious that any co-ordination of investments must take account of the relative costs of production. It is, however, also obvious that this standard is inadequate and that decisions on the question as a whole inevitably involve political considerations.

Taking as an example the co-ordination of investments, as at present practised in the « popular democracies », it can be noted that the general principles of long-term planning as well as plans for industrialisation, for orientation of foreign trade towards the U. S. S. R., for increase of trade and division of labour between the popular democracies, involve in the first place political decisions while economic criteria are applied only in regard to the implementation of these plans.

In the same way the distribution of the iron and steel industries within the European framework cannot be based on purely economic standards but raises serious political problems.

The question of the balance of payments must also be taken into consideration; the last report issued by the 0. E. E. C. laid stress, for instance, on the fact that the problems of production had been more or less solved and that the outstanding problem was the European shortage of dollars. The report pointed out that the positive measures for the co-ordination of investments must be designed « to promote a pattern of production that, by earning or saving dollars, will contribute to the final solution of the dollar problem ».

The Marshall Plan

Since 1948 the distribution of Marshall Aid has provided an example of co-ordination of investments based on this " balance of payments " standard. In the allocation of dollars, however, questions regarding the balance of payments were inseparably bound up with the necessity to provide stop-gap assistance to this or that country, while the problem of achieving an efficient division of labour between European nations was not given much consideration. It was only after the event that any examination was made to ensure that the different national plans were not mutually conflicting. For instance, as pointed out in a report on the development ment of petroleum refineries, it was by a fortunate chance, rather than as a result of a concerted plan, that on the whole the proposed undertakings were all necessary and would not enter unduly into competition with one another. In the European economic system there are a certain number of fields—for instance, petroleum, electricity and housing—where the demand is such that all European nations may institute the most ambitious plans without fear of entering into competition with one another or of exceeding the demand.

There are, however, other fields where for political reasons there is a general over-investment and a complete lack of co-ordination. This is the case with steel, which appears to be a particulary apposite example of the different problems involved in-co-ordination. The blunt fact, as was stressed in an interim Report of the Committee on Economic Questions of the Consultative Assembly of the Council of Europe, is that the estimated total of exports and internal consumption of steel for 1952 cannot, even under the most favourable conditions exceed 61 million tons, while production will reach 69 million tons. When appraising the implications of this surplus of 8 million tons, account should, moreover, be taken of the artificial restrictions placed on German capacity and the systematic policy of disinvestment which is pursued in Germney in the form of reparations or the reduction of war potential.

The surplus capacity might, however, completely justify itself. Rather than saying than in 1952 Europe will produce 8 million tons of steel too much, it may be pointed out on the contrary that a policy of investment in the industries absorbing steel (machinery, cars, agriculture machinery, building, etc.), should be pursued parallel with the investments in heavy industry. It may also be said that it is both right and politically sound to decentralise European heavy industry thus depriving the Ruhr of its predominant position, and that the industrial concentration in this area was, moreover, due not only to natural factors but also to a systematic desire of the Nazis to create an over-industrialised Germany which would dominate the agricultural nations.

This is not the place to examine such arguments. If they have not been mentioned, it is because they show clearly the complexities of a problem wihch is really a dual one :

1. how to allocate investments between the various industrial sectors (transport, iron and steel, electric power, agriculture, etc.);
2. how to determine the geographical distribution of the capital destined for each of these sectors.

There are various methods of solving this dual problem.

Co-ordination by means of a planning organisation

From a theoretical point of view it is obviously possible to consider the setting up of some form of planning organisation which on a European scale would have the power to direct investments into the required channels. Among the many obvious objections to which this proposal immediately gives rise, one should be noted particularly, namely, that there is no body in any of the countries of Western Europe endowed with such authority. It is true that in each of these countries there exists a more or less developed public sector, where the Government controls investments. Private investments, however, are still predominating and in this field governmental intervention is usually purely negative. Some Governments however, have the power to forbid —for instance,' by refusing a building permit—or at least to discourage, certain investments which are considered undesirable.

In these circumstances it is difficult to see how the various Governments, who are so jealous of their sovei'eign rights, could agree to accept a supra-national organisation with an authority superior to their own; nor is it possible to envisage the channels through which this authority could be exercised.

Creation an advisory organisation

Another possible solution would involve the setting up of a central advisory body, which should be kept informed by the different countries of their respective investment plans and which, without having any executive power, would be authorised to make recommendations. The Council for Mutual Economic Assistance — " COMECON " — set up in January 1949 in Moscow, could be said to belong to this type of organisation. The general purpose of COMECON is to " ensure closer economic co-operation between the popular democracies and the U. R. S. S. "

Its primary aim is to intensify trade between its members, but also to stimulate what are called " reciprocal investments ". The two countries which have gone farthest in this field are Czechoslovakia and Poland (who have already set up a bilateral Council for economic cooperation). They de not, however, attempt to co-ordinate all their investments, but only to co-ordinate investments in transport, and to establish in the common frontier area a certain number of joint industrial indertakings, of which each country owns half the capital.

" COMECON " appears therefore to be the extension of an arrangement that had already been made by common agreement between the two countries and the principle that " the Council will take no decision without the agreement of the countries concerned " is solemnly enunciated. One may, however, be permitted to believe that the results obtained are not entirely independent of certain political pressure. Furthermore it is obviously easier to co-ordinate investments between countries whose Governments possess similar powers.

In quite a different spirit, the three Member Governments of the BENELUX have established a system of prior consultation in regard to new industrial investments. This consultation is compulsory with respect to a certain number of industries, a list of which was drawn up by common agreement; these include especially the heavy industries, chemical industries, those processing industries which are essentiel for reconstruction (such as cement, furniture and windowpane industries) and finally certain important food industries (sugar refineries, mills, vegetable oil production, etc.).

As soon as one of the Member Governments has knowledge of and approves a proposed investment in one of these pre-announced industrial fields, it is obliged to notify the other Governments.

A certain procedure has thus been established by which the three Governments can examine at various levels the proposed investments and come to an agreement. If, however, such a settlement is not reached, the Government concerned is left entirely free to take the decision which it deems fit, to the extent that it is not for private enterprise to have the last word.

The basic statutes of Benelux, moreover, lay down that there is nothing to prevent the industrialists of the three countries from reaching agreement directly between themselves outside these official consultations.

Exchange of information

Failing the creation of some organisation specially authorised for this purpose, it is also possible to consider a co-ordination of investments by a simple exchange of information such as that which takes place within the framework of the 0. E. E. C.

As a result of preliminary enquiries made into a certain number of specified industries (petroleum refinery, iron, the chemical industry, etc.) the 0. E. E. C. drew up a general procedure for such consultations.

This procedure lays down certain general criteria which have to be satisfied in order to select certain branches of industry as being in principle suitable for co-ordination of investment. " It is laid down that the participating countries must make a statement of their plans in these fields, and that the Council of the 0. E. E. C. is authorised to take decisions which will place participating countries " under an obligation to use all means at their disposal " to make such a decision effective.

Hitherto, this procedure has been restricted to an exchange of information or the preparation of reports on those particular fields in which governmental action is required and, as is pointed out in the second report of the 0. E. E. C. " the results so far achieved have not been as far-reaching as had at one time been thought possible ".

Part played by competition

In contrast to the " planned " solutions, it is possible to conceive that in a Europe entirely freed from its present restrictions, competition would operate as a co-ordinating factor, as is the case in the United States.

In practice, however, the liberalisation of trade between European nations is still in the blue-print stage, and even if this is fully achieved it would take a certain time before competition could make its influence felt and even longer before it would have a major effect on investments.

Furthermore, as the report of the 0. E. E. C. has so strongly emphasised, the crucial question in the coming years will still be the balance of payments with the dollar area. And it is not possible to see how free competition in the European market could canalise the flow of capital towards those industries most likely to earn or to save dollars.

In this connection mention might be made of the role of international cartels. Their activities concern particularly commercial and technical problems, but they also exert a certain influence on investments. If, in the past, they were often responsible for ill-advised commercial practices •—• which should not be permitted —• in an expanding market, on the other hand, they can be useful allies whose activities should rather be directed than controlled.

Need to envisage various solutions

From a theoretical point of view there is nothing to prevent a consideration of a given total of investments during a given period within a specified geographic framework, but it must be realised that this is only an abstraction. There are various kinds of investment and under our economic system, which is still largely of a free enterprise character, capital is not interchangeable. Those who are prepared to grant a loan for local reconstruction are not necessarily disposed to finance agricultural experiments in the tropics.

There would seem to be a need for a different system of co-ordination for each type of investment.

In the military field, where European and even Atlantic integration is most advanced, the scope for agreement between Governments has been sufficiently large to ensure to a very considerable degree the division of labour and the co-ordination of investments. However, the field of overseas investments appears to be one in which co-ordination could be ensured by inter-governmental agreements, since more and more of the capita] invested is derived from public sources, and also the respective economic barriers are less developed than in Europe. It is therefore possible that a wise co-ordination in the field of transport or of scientific research in these areas could produce considerable savings.

This is all the more important since the development of the overseas territories plays an important part in the " battle of the dollar ", either because these territories can supply Europe with produce hitherto bought in the dollar area, or because they can increase their exports to America.

As opposed to these fields, which might be regarded as more or less " governmental ", there are others, especially that of consumer goods, which are traditionally reserved for private enterprise. In these it would seem that competition alone could, in the European market, canalise the flow of capital towards countries and undertakings which have the most favourable location.

Between these two extremes there is a whole range of sectors to which the first solution could not possibly be applied and where the second would be inadequate. These sectors are particularly those which, without being under governmental control, require such large outlays of capital that competition can hardly play its part; this group would include also those exporting industries, which should be stimulated since they are capable of earning dollars.

In these latter sectors it is, however, possible to take a certain number of limited measures. For instance, where it is realised that there is over-investment, it should be possible, rather than agreeing to expensive reduction of plant capacity, to stimulate consumption in such a way that the excess is absorbed. It is true that the export industries of the various countries are often in competition with one another in the American market, and, having regard to their importance in the various balances of payment, it is undoubtedly up to each Government to provide the necessary stimulants. It does seem, however, that a certain degree of co-ordination should be possible.

This competition in the American market is, however, more apparent than real, and European exporters will benefit by reaching agreement and by sharing, for instance, their surveying and publicity expenses, and merging their sales network, etc. The commercial and industrial organisations are already sponsoring a movement in this direction (with the encouragement of the 0. E. E. C, European tourist propaganda in the United States is becoming, for instance, more and more centralised).

If the liberalisation of trade will facilitate the co-ordination of investments, the reverse is also true, since only an influx of capital can remedy the permanent deficit in the balance of payments of certain countries and thus place them in a position to take part in multilateral trade.

It therefore appears that in the matter of institutions the most that can be hoped for at the moment is the creation of an advisory organisation for the co-ordination of investments. The various Governments would have to submit their plans in the field of investment to this organisation for which there is clearly a place within the framework of the 0. E, E. C. It would be for this new organisation to consider and to make recommendations either as regards avoiding over-investment, or, on the other hand, as regards the need to develop investments in a certain field. This, in effect, would be to develop and systematise the exchange of

information which has already been arranged by the 0. E. E. C. It must be recognised that this is a very modest proposal, but it appears that in the present political circumstances it is not possible to put forward more ambitious proposals.

Appendix 14 APPENDIX N

Resolution on the Co-ordination of Investments

The Committee on Economic Questions recommends to Member Governments that an advisory organisation for the co-ordination of investments be created.

The various Governments should submit their investment plans to this organisation for examination and recommendation.

This body might suggest any changes which it considered necessary in the programmes of each country in order to avoid overlapping investments. Or, with a view to raising the standard of living of the people, it could recommend the development of industries to absorb surplus products in cases where capacity already exceeded consumption or where changes in investments would encounter insuperable practical difficulties.

In carrying out its task, the organisation should naturally collect and analyse statistical data on trends in production and consumption of the various products.

The creation of such an organisation would, in effect, develop and systematise the exchanges of information which has already been arranged by the 0. E. E. C. It would therefore be reasonable for this organisation to be set up within the framework of the 0. E. E. C.

Appendix 15 APPENDIX O

Note on the European Companies

The fundamental problem for the Governments consists in taking action to realise the convertibility of currency as well as liberalisation of trade. Such action must be undertaken prudently, for fear lest the progress already achieved should be threatened, particularly in the event of economic crisis, by a coalition of private interest or by trade unions. Many of the Representatives to the Assembly were of the opinion that in order to avoid greater evils it was necessary to accept the lesser evils. That is logical: but on the political plane it is a conception which will not be easily accepted, since the lesser evils in question spare neither the workers nor the investors.

A greater specialisation of production is still eminently desirable, if consumption is to be supplied with ample and cheap products.

There is here a vicious circle which must be broken. One might question whether, as an interim solution and by way of being an experiment, it would not be possible to superimpose, on the divided economies which exist today in Europe, a free economic sector which would cover, entirely or partially, the countries participating in the European Union. This sector would be open to a limited number of societies devoted to the production of goods urgently required by Europe and gOA'erned by a special statute. That is the purpose of the plan; this plan envisages the creation of inter-European companies of either public or private character, created by the authorisation of an office attached to the Council of Europe and placed under its control.

If the European companies' office were to operate with wisdom and discretion, the Governments concerned would have no cause for anxiety. On the contrary, the economics of each country would be stimulated by this experiment.

To begin with, only the constitutions of those companies would be authorised, the aims of which were to meet urgent European needs. On this point, it is possible, without risk of error, to state that the available sources of energy of the Old World should be considerably increased, if it is to compete with the United States on equal terms. European companies could be created for the specific purpose of rapidly expanding the sources of electrical energy and of making serious efforts to prospect possible sources of petroleum in the participating countries.

Perhaps it is in this way that the solution of the question of the Ruhr might be sought, in creating links within the framework of public companies, between the resources of this territory and those of the French, Belgian or British areas.

This proposal should be considered against the background of the Recommendation of the Economic Committee for a draft European Convention on the control of international cartels. It seems, indeed, that the economic unification of Europe would have the natural result of encouraging the development of cartels, although these can exist even in a system of divided economies. Having said this, it should be pointed out that cartels are only undesirable to the extent that their aim is to maintain excessive selling prices by improper means. If, on the other hand, their aim is to standardise production, there is nothing to be said against them. The best system of preventing the creation of cartels aimed at developing a market monopoly is surely to compel eventually the participating firms to create companies that are placed under the aegis of the Office. The question is, it seems, worth examining.

General convention on European companies

The Governments of...

Considering that Article 1 of the Statute of the Council of Europe defines the aim of the Council of Europe as being the achievement of a greater unity between its Members for the purpose among other things of facilitating their economic progress;

Considering that Article 15 of the Statute provides for the conclusion of conventions and agreements as one of the means of attaining this aim;

Considering that the removal of barriers, which prevent the union of their resources and the combination of their efforts, constitutes one of the surest ways of achieving their common prosperity;

Considering that the Committee of Ministers has recommended the adoption of the Conventions set out below;

Have agreed as follows :

ART. 1. — European companies shall be divided into two categories :

a. Private Companies;

b. Public Companies.

A. Private Companies

ART. 2. — The Members of the Council of Europe shall extend to European private companies, within the limits of their respective metropolitan jurisdiction, the treatment extended to national corporate bodies which have a commercial function.

The grant of similar treatment in the nonmetropolitan territories shall be the subject of special and individual decisions.

Societies whose basic elements, that is to say, capital, and whose centre or centres of development or production are not provided by the same Member country of the Council of Europe, shall be entitled to be European private companies and shall be recognised as such.

At least 80 per cent of the share capital and of the directors of these societies must be nationals of the Members of the Council of Europe.

ART. 3. — Any European company, which wishes to be recognised as a company covered by the present Convention, must make a declaration to the European Companies' Office of the Council of Europe, which will notify the Members concerned. Within a period of four months these latter may either refuse the necessary recognition, or may indicate the conditions under which this recognition can be granted.

A further period of four months shall be allowed the Company in which to accept or reject the proposed conditions.

ART. 4. — The European Companies thus constituted must register 75 per cent of their stock, which cannot be assigned without prior authority from the Office. Such authority will be granted after consultation with the Members concerned, who may exercise a right of preemption, either on their own account or on behalf on individuals or corporate bodies nominated by them.

Each Company must also give the Office prior notice, in the event of their wishing to amend their Statutes. The Members concerned may present their observations within a limit of three months from the date of reception of the ad hoe opinion given by the Office.

With the reservation as to arbitration as laid down in Article 8, the Office shall take a decision when informed of these observations, or at the expiry of the prescribed time limit.

ART. 5. — European Companies may not be subject to any discriminatory, fiscal, administrative or other measure, nor may the body of their fiscal charges be increased in such proportion as to endanger the financial stability of their development. They may not be placed, either directly or indirectly, under excessive control.

ART. 6. — The Office shall take the necessary measures to prevent double taxation or tax evasion by the Companies, and to provide for or resolve disputes with national laws or jurisdictions arising out of the fact that each Company, in the form of a national corporate body, pursues its activities in the territories of all Members concerned. These latter must immediately make the necessary provisions to give effect to the above measures.

The Office shall also ensure a uniformity of treatment of the Companies by all the Members concerned.

ART. 7. — The Office shall ensure that the exercise of freedom to transfer currency, in order to ensure the financing or payment of dividends, does not result in upsetting the balance of payments of the Members concerned.

ART. 8. — Any dispute between the Members concerned and the Companies with regard to the observance of the Statutes shall be submitted to compulsory arbitration, in accordance with the conditions which shall be determined by the Office.

B. European public Companies

ART. 9. — European Public Companies shall be those constituted by the Members themselves, with or without the participation of private capital.

The Deed of Partnership shall lay down the portion of the capital and the direction which shall be held by each of the Members. It shall also fix the conditions of operation, particularly with regard to the security of the staff and the distribution of production. Private capital may in no case exceed 25 per cent of the total capital subscribed from State sources.

A Board of Governors, attached to the Office, shall supervise the execution of the Statute of the Society.

ART. 10. — The Deed of Partnership shall he retained by the European Companies' Office. The deposit of the Deed shall constitute the incorporation of the Society, in regard to the national laws of each of the Members who are parties to that Deed. With regard to their Statutes, the Companies shall, in the eyes of the national legislation of each of the Members concerned, be comparable to public enterprises of neither a commercial nor an industrial character. Moreover, the Companies shall be regarded as European Public Services and, as such, they shall enjoy jurisdictional immunity as laid down in the General Agreement of... in favour of the Council of Europe.

The Office shall settle, by regulation, the difficulties and details of implementing the dual regime which shall result from the application of the present Article.

ART. 11. — The financial, administrative or other interests of each of the partners, as they are derived from the Deed of Partnership, are neither transferable nor subject to change, unless a prior decision has been taken by a twothirds majority by the Board of Governors. The minority in this case may appeal to the Board of Directors of the Office, which, in the event of it being considered that the majority decision was obviously unjust, or that it violated the vital interests of a Member, can refer the matter to a Court of Arbitration whose composition, procedure and rules shall be fixed by the Committee of Ministers. The decision of the Court of Arbitration shall be immediately applicable and not subject to appeal.

ART. 12. — The European Public Companies may not, even indirectly, be subject to any discriminatory measure by the Members concerned.

Respect for their rights and privileges shall be under the protection of the Council of Europe.

The Office shall ensure a uniformity of treatment of the Companies by the Members concerned. On the dissolution of the Companies, the Office shall undertake the execution of the Deed of Partnership and shall determine equitable conditions for their liquidation.

C. European Companies' Office

ART. 13. — A European Companies' Office shall be set up, exercising the functions and powers laid down in Sections A and B above.

ART. 14. — The Office shall be directed by a Board of Directors, composed of seven members, to be appointed by the Committee of Ministers, from a list drawn up by the Secretary General of the Council of Europe. It shall be assisted by an Executive Secretariat, provided by the Secretariat General of the Council.

The' Members of the Board of Directors, like those of the Executive Secretariat, shall be international officials, and as such, they shall be subject to the duties and immunities applicable to the Members of the staff of the Secretariat General of the Council of Europe.

ART. 15. — The Office may collect taxes or fees in the course of administrative operations which it may undertake; their rates must receive prior approval from the Committee of Ministers. It may receive subsidies from the Council of Europe. Its accounts shall be subject to the control of the Secretary General of the Council of Europe.

ART. 16. — The Office shall determine the allocation of the sums obtained from taxes or fees. Anyway, at least 8 per cent of these sums must be paid to the country or countries in whose territory the centre of production or development of the Company is situated.

ART. 17. — Any dispute between the Office and the Members of the Council of Europe concerning the interpretation, application or implementation of this Convention shall be submitted to the Court of arbitration provided for in Article 11 above.

ART 18. — The Office shall, as a subsidiary organ of the Council of Europe, enjoy the legal capacity and the immunities and privileges laid down for the Council in the General Agreement of...

ART. 19. — The present Convention shall be submitted for approval and ratification to the respective authorities, after which all measures taken by the Office in the exercise of its functions and powers arising from this Convention shall be binding for the respective national authorities and legislations.

ART. 20. — The present Convention may be revised on the request of the Office, by a Resolution of the Committee of Ministers, under the same conditions as the Statute of the Council of Europe, in accordance with paragraph (b) of Article 20 of that document.

ART. 21. — The present Convention shall come into force as soon as five Members of the Council have deposited their instruments of ratification with the Secretary General.

Commentaries on the Convention on European Companies - Preamble

The definition in the preamble of the aims and purposes of the General Convention will determine the course of the decisions of the different organs mentioned iii the Convention (Board of Directors of the Office, Board of Governors, Committee of Ministers and Arbitrators), in such a way as to ensure the right execution of the Convention. Common prosperity, economic progress, the removal of barriers and a closer union between the Members will be the goals towards which the decisions of the above-mentioned organs shall be directed, in exercising the powers received through this Convention.

ART. 1. — Companies shall be divided, according to their Statutes, into two categories, Private and Public Companies.

This definition must not be taken to imply that, for instance, the Private Company does not serve European public interests. On the contrary, this must be the case; and it is only for this reason that the Company shall enjoy the international regime laid down by the Convention. This term is justified as much by the fact that the initiative for constituting these Companies, as well as their individual composition, is ensured by individuals who are nationals of the Members of the Council of Europe.

ART. 2. — In order to enjoy the advantages of a Private Company, any specific society must have European characteristics in its constitution. If the capital of a Company is subscribed principally by the nationals of one country, the European Statute is not applicable. On the other hand, it applies lo the case of a factory, whose capital is largely provided by one or two European countries, and whose centre of production is in another Member country; in this case the European character of the society justifies the grant of the special Statute.

This grant is in principle only applicable to the metropolitan territories. For the dependent territories of a Member country, a special decision is necessary in respect of each one of them, with regard to the constitution of each society. The delicate balance of colonial affairs justifies such a precaution, failing which objection might be raised by the States concerned.

ART. 3. — The grant of the Statute is subject to a procedure which safeguards existing interests. The Company which, through its production, by its development or its capital, possesses an international character, must make a declaration to the Office; the latter, in turn, will inform those Members, whose connection with the Company gives it its European character. These Members may lay down conditions dictated by their legitimate interests, and which are compatible with the preamble of the Convention. Once the procedure of adoption of the Company has been terminated, the society will hold an official position under the low of each national State without it being necessary to undertake the formalities of constituting the society in each of the Member States concerned. The society will automatically become a national of each of the Members concerned. Among its advantages, that, of reciprocity will.no doubt be the one most generally required or raised; the contribution of the company, from the point of view of developing national resources or the investment of capital, will undoubtedly also be taken into consideration by the States concerned.

ART. 4. — This provision is aimed at safeguarding States against changes which, had they been foreseen at the time of the constitution of the society, would probably have led to a refusal to recognise it. The non-transferability of- stock and the need for prior approval of Amendments of the Statute are part of the system of safeguards against undesirable changes, which it is necessary to provide for Member States, who may be asked to grant to these Companies the nationality and privileges mentioned.

ART. 5. — Article 5 enumerates the first advantages and guarantees to which the European Companies will be entitled by Statute. The most important of these advantages will no doubt be that of fiscal security, which should be interpreted very broadly; all those public charges which hamper a private enterprise are included in

it. It is impossible to define precisely the extent of this security, having regard to the fact that the risks, against which it is intended to afford protection, have a continually changing character. That is one of the things which the Office will have to regulate itself, subject to the reservation of resort to arbitration, as laid down in the Convention.

ART. 6. — This provision is intended to remedy the situation arising from the double or triple nationality of the societies which, in the present state of the structure of Europe, are unable to assume a European nationality and so obtain the nationality of each of the Members concerned.

The Office will possess very extensive powers, so that it may take the necessary statutory, administrative, or other measures to resolve the problems arising from multiple allegiance.

ART. 7. — This Article deals with the second series of privileges which shall be enjoyed by European Companies : freedom of transferability of foreign exchange. This freedom will allow capital to be freely invested and to receive, no less freely, the dividends and interest which is due to it. However, provision must be made for the improper and dangerous movements of capital. In this case, the Office could take a decision on the complaint, and could decide, if need be, on preventive measures.

ART. 8. — This provision would allow Companies to have recourse to arbitration, in the case where they complain of measures which they consider to be contrary to the provisions of this Convention. The fact that this jurisdiction will be exercised in the international field, and that it can be put into operation directly by the individuals, will provide an even greater guarantee of legality.

ART. 9. — This Article defines the conditions for the creation of Public Companies; these are by public contracts or a sort of treaty, made by the States which create them. Individuals may claim a financial part in the subscription made by their respective States. The Deed of Partnership shall prescribe regulations for a certain number of questions as, for instance, the distribution of production, the staff, etc... The Board of Governors, which shall supervise the safeguarding of collective and individual interests, shall include representatives of the Office, who will occupy the r61e of a neutral third party.

ART. 10. — By this provision, a Company will become a European Public Service, and as such, it will enjoy, in regard to the parties to the contract, firstly, the advantages of national public service (right of expropriation, freedom of action on account of its Statute), and also the privileges of European service, such as immunity from jurisdiction. These Companies may be neither requisitioned, nor expropriated, nor nationalised. Also, they will not pay taxes. In the event of a dispute with individuals, the Office may either waive the immunity of the Company in question (if the interests at stake are not important) in favour of local courts, or refer the dispute to an ad hoc Court of Arbitration. The Deed of Partnership may also stipulate customs exemption for goods produced or processed by these societies, which will also enjoy customs immunity in respect of the import of equipment. In any case, the Office will be authorised to take the necessary measures for the good operation of these public societies, in conditions which will respect the legitimate interests of the parties concerned.

ART. 11. — Article 11 covers procedure to guarantee States against changes or unforeseeable situations, which might perhaps have aroused a refusal to allow the society to operate, if they had been known at the time the society was constituted.

ART. 12. This provision is particularly intended to remedy any inconveniences which might result from the denunciation of the Deed of Partnership by one of the Member States. It cannot be permitted that such a withdrawal should seriously effect the interest of others as well as the good operation of the service. The Office may, therefore, decide on a number of measures to deal with the provisional removal of the effects of a denunciation, even as far as taking over the interests of the retiring party.

ART. 13. — No comments.

ART. 14. — This Article deajs with the organisation of the Office. The Directors of the Office must be selected for their reputation for impartiality and objectivity as well as for their special competence. Being the trustees of extremely important interests, the Directors must give all the necessary guarantees to satisfy the traditional distrust of States in regard to any weaknesses, whether national or party, of international officials.

ART. 15. — This provision allows the Office to tax European societies so that they may make their fair contribution. The counterpart of the advantages and privileges recognised for Eurocomme pean Companies should include " fiscal " receipts which shall be used in the common interests of Europe.

ART. 16. — This Article also aims at establishing a compulsory allocation of income to the benefit of the countries to which they owe their source or origin.

ART. 17. — Article 17 gives the States a supreme guarantee against possible (though not probable) arbitrary action on the part of the Office : means of recourse are open to them. This procedure would no doubt be modelled on the administrative courts, which are to be found in certain European countries.

ART. 18. — This provision deals with legal consequences which arise from the fact that the Office is an offshoot of the Council of Europe.

ART. 19. — This Article provides for the necessary approval of the General Convention to bo given by the respective Parliaments. Before ratification, the King of England, for instance, must obtain a decision from the British Parliament. This obligation has been laid down so as to make the decisions taken by the Office binding for the internal legislative authorities. If, for instance, the Office were to adopt a measure to modify the Statute of a Company, as it had been laid down by a national law, this decision should not be open to contest on account of the absence of a special ratified Convention incorporating the decision in question.

ART. 20. — This Article extends to the present Convention the advantage of the supple procedure of revision, laid down for the Statute of the Council of Europe (absence of ratification).

ART. 21. — The number of ratifications here required, to put the Convention into operation, has been reduced to five, so that the possible indifference of certain Members of the Council to the problem of European Companies would not result in unduly delaying the possibility of their creation.

Appendix 16 APPENDIX P

Memorandum on the Project tor Creating European Companies

1. The creation of Inter-European Companies represents a new and creative way of attacking the problem of how to obtain a higher degree of integration between the European economies. Instead of following the traditional pattern and aiming at an economic co-operation on an all-embracing scale, it takes up concrete projects at a practical level. Thus it would be possible to realise economic collaboration between the European nations in a limited sector quite irrespective of the outcome of the longer-term efforts to create a European economic union. It is therefore quite natural for the Economic Committee to take up this proposal for a detailed study as to its feasibility and its technical, legal and economic implications. The object of the following notes is to point to some factors that seem important when considering these problems.

2. Different motives might be suggested for the creation of Inter-European Companies according to the proposed plan.

(a) First of all, one should stress, as indicated above its general character of a means to further European economic collaboration. It thus would work towards a better division of Europe's labour and resources, while at the same time it would avoid the complicated issues that inevitably arise when attempts are made to realise Inter-European collaboration on a wider scale.

(b) Another motive stems from the necessity for Europe to find new sources of supplies to replace imports from the Western hemisphere. The individual country might have resources that could be developed for the general benefit of Europe, but at the same time, not be able to mobilize within its borders the necessary financial funds or the technical knowledge. In this case the setting up of an Inter-European Company may be the right solution. Again the necessary funds may be available but the investment considered too great a risk for an individual country of an Inter-European Company, to share the responsibility and to guarantee the market of the products emanating from the investment, seems the best method overcome the obstacles.

(c) Finally, it should be emphasised that the political and military reasons that are now put forward to support a policy of restraint as against for instance an expansion of the Ruhr Steel industry lose much of their strength if the owner of this industry or its supervisor is an Inter-European Company

3. By itself the plan is not limited to certain branches of industries, or to certain products. But, for obvious reasons, there are some areas where the Inter-European Company scheme seems more suitable than in others. Thus, for instance, the development of electrical power through the exploitation of water power in the Alps, seems an appropriate object for an Inter- European Company. The same applies to the expansion of colonial production, especially in Africa. It has been stressed again and again in the public debate that one very important way for Europe to solve the dollar crisis is to exploit more fully the potential resources of her African possessions. The production of synthetic petrol, the refinery of crude oil and the creation of a more efficient distribution system for oil and petrol is another possible area of activity for an Inter-European Company.

4. The usefulness of the Inter-European Company idea is, however, not exhausted by the 'enumeration in the paragraph above. In fact, its applicability is exceedingly wide. One might very well question if its most important results will not be reaped from other fields, other than production and distribution. In this paragraph some suggestions will be given on this matter.

(a) One of the problems that the Assembly transmitted to the Economic Committee for further study was the setting up of a European Investment Bank. The object of this Bank would be to de on a European level what the World Bank does on a world-wide scale. It seems from many points of view desirable that such an investment Bank should conform with the principles outlined in the note and in the Convention

(b) Another important field for this new type of Inter-European Body is transportation. One might very well question, in view of the strong American competition, the advisability of each European nation having, for instance,, its own air-line system. This means duplication as regards planes, crews and ground forces. Some sort of regional arrangement whereby the nations " pool" their resources, thus permitting increased efficiency and better travelling economy would certainly seem desirable. In this connection, it should be pointed out that the Scandinavian countries have, in fact, established a collaboration along these lines in the commercial aviation field since the end of the war. If such regional aviation agreements could be achieved also here the Inter-European Company scheme would apply

(c) Among the recommendations presented by the Assembly, one concerned the creation of a system of guaranteed markets. Such a system is a corollary to the proposals for developing new sources of production within the territories of Member States and of Associates. The necessary investments will probably, in many cases, not come forth if the investor is not assured of a steady demand for the new product. Here the creation of a guaranteed market is manifestly the answer. The technical problem of how to achieve a contineous demand for the new products was, however, not touched upon in the report of the Economic Committee. Obviously it will be necessary to establish an arrangement whereby governments, in the form of " bulk purchases ", keep demand at a high and steady level. From many points of view it would seem appropriate to hand over such a task to an Inter-European Company. In this case, its functions could be made to conform more or less to those of the "buffer stock" agencies, that were proposed by the Americans at the end of the war. Here the stabilisation of demand and prices were to be attained by an inter-governmental machinery for the purchasing, storing and selling of the commodities concerned.

Finally, it could be envisaged that Inter- European Companies be set up for the selling of " technical assistance " to Member States and overseas territories. Such a pooling of technical knowledge would work towards the levelling out of present divergences as regards technical efficiency in the Member States.

5. It is proposed in the Convention that not only Governments should be allowed to be share-holders of Inter-European Companies, but also private organisations and individuals. No doubt the interest for the project would be very pronounced among for instance the co-operatives of the different countries.

For obvious reasons, one of the key-points in the realization of the scheme is finding sufficient capital. The drain on private and public investment capital has been tremendous in most European countries owing to the needs of reconstruction. It should, however, be pointed out that the scheme does not exclude the existence of shareholders from outside the sphere of the Council of Europe. Thus, one might be able to encourage, for instance, Swiss, or may be even American Corporations to participate in the inter-European Companies as shareholders.

But it would also seem possible to stimulate foreign investors to subscribe to bond issues of Inter-European Companies. In this connection, it is appropriate to point out that financial assistance from the World Bank is not unlikely in this connection. The statute of this body, in fact, contains nothing that would exclude a dollar loan to an Inter-European Company, provided that its operations are expected to give returns big enough to cover interest and amortisation on the loan.

6. The fact that the Inter-European Companies scheme presents many advantages should not hide the difficulties that are certain to arise when implementing this project. First of all, there are many problems of technical and legal nature that have to be solved before the scheme can be put into action. The draft convention, however, suggests the way to surmount these obstacles.

Appendix 17 APPENDIX Q

Copy of the Letter Adressed on 4th May 1950 by the Minister of Foreign Affairs of the French Republic to the Secretary- General of the Council of Europe

MINISTRY OF FOREIGN AFFAIRS

Paris, 4th May 1950.

Sir,

The French Government has studied the note on the Inter-European Companies (doc. AS/EC [49] 20), which was given a first reading by the Committee on Economic Questions of the Consultative Assembly when it met last December, together with its attached draft General Convenr tion which the Committee will, no doubt, decide at its next meeting to submit to the Assembly.

I have the honour to inform you that this draft has been examined by my Government. If it were favourably received, the Council of Europe would achieve one of the aims set out in Article 1 (b) of its Statute.

I should be glad therefore if the general proposal contained in this document could be considered by the Assembly and that it should be the subject of a Debate during its next Session so that some solution may be found — as is particularly desirable in a matter of this kind.

I am, Sir, Your obedient Servant,

Signed : SCHUMAN.

Appendix 18 APPENDIX R

Report on public works and full Employment policy

1. Most Governments now recognise their obligations to maintain a high and stable level of employment. The " protection against unemployment " has been accepted as one of the fundamental rights in the Universal Declaration of Human Rights adopted by the United Nations General Assembly, as well as in the Recommendation adopted by the Consultative Assembly of the Council of Europe on the drafting of a Convention on Human Rights. In the same way, governments have realised that the maintenance of full employment is a prerequisite for the ensurance of sustained economic and social progress. Parallel with this development, the importance of full employment policies for the stabilisation and expansion of international trade has become more and more evident. Thus both the Articles of Agreement of the International Monetary Fund and the Havana Charter for an International Trade Organisation have incorporated in their texts a plea for concerted action on the part of the Member States for the pursuance of a full employment policy.

2. This new trend of thought would lead us to expect more vigorous governmental intervention if unemployment were to appear on greater scale. What is of particular interest from an international point of view is the form that this intervention might take at a national level. A nation might pursue its internal economic policy so that in fact unemployment is " exported ", while on the other hand it can be conceived in such a way as to stabilise not only the employment but also the imports of the country, thereby checking a decline in the country's global international demand. These more general aspects of an " international slumpprevention policy", however, fall outside the scope of this paper, the Committee having limited its study in this field to the problem of public investment and its role in a full employment policy. This means that the paper will mainly concern itself with question of how to assist manual workers. It should, however, be stressed that a depression would affect all classes in society and that, in fact, the unemployment problem might be from certain points of view more difficult to solve for the intellectuals and salaried employees than for the workers. This wider aspect of the depression issue should be kept in mind when studying the proposals which follow.

3. It is now almost generally recognised that the most common cause of depressions is a periodic lack of effective demand which, in its turn, originates either in a decline of export sales or in fluctuations in the level of capital expenditure, particularly of private investment. The limited possibilities for the individual government to influence international demand for the country's export products (the main measures in this field being the grant of international credits and subsidies for the stock-piling of goods, compel State intervention to be concentrated on the stabilisation of total investment volume and on attempts to stimulate domestic consumption by tax reductions, high unemployment allowances, etc. Stabilisation of the overall investment volume mainly implies offsetting the decline in private capital expenditure by a corresponding increase in public investment. (The fact that the government should at the same time try to stop the reduction in private investments by introducing various incentives is in this connection disregarded). There are two main aspects to this problem, namely, on the one hand the preparations of the individual government in regard to the planning and implementation of a public works programme, and on the other hand the question as to the form which co-ordination of these national policies should take on the international plane.

4. The theory of compensating. spending by the government thus implies that expenditure on public works should be concentrated in periods of slackening economic activity and held back during the " boom " phase of the business cycle. Adoption of this principle forms the first element in the common public works policy. Past experience shows, however, that governments have tended to follow the opposite policy, that is by expanding investment expenditures when business was good and public revenues accordingly large, and reducing them in depressions when budget deficits began to appear. This has been particularly true of local authorities. Such a correspondence between the volume of Government outlay and general business activity can be criticised not merely on the above grounds of general economic policy. Also from a limited fiscal point of view it can be considered less desirable for governments to put their construction projects into operation at a time when prices and costs are at their peak, and materials and labour scarce, than-during a depression. In this connection it should be borne in mind that not all public investments lend themselves to this anticyclical timing. In some cases it might, however, be impossible to postpone indefinitely ihe realisation of the project.

5. Once the above guiding principle has been adopted by the Member States, the second step towards the establishment of a common full employment policy would be for each Government to prepare in advance an adequate reserve of public works projects, which would be put into execution as soon as a recession set in. Each item in the reserve should be planned in as much detail as possible and include complete blueprints. Similarly the exact needs in men and materials should be estimated beforehand. In this way the Government increases its degree of preparedness, at the same time safeguards itself against the waste of public funds

which would result from improvising various public works under pressure of unemployment. Great attention should be given to the geographical distribution of the projects. Some areas will be more affected by the depression than others and their allocation of public works should accordingly be larger. The bulk of the projects ought to be " employment absorbing " i.e. requiring for their realisation primarily expenditure on wages rather than on raw materials. Furthermore, one should try to limit the number of projects which need increased imports for their implementation. The full cm}Dloyment policy will in any case tend to influence the balance of payments in a negative direction. Finally, it should be pointed out that it would be preferable to undertake projects that can bo executed during the winter season. Experience has shown that opportunities for employment are generally much more frequent during the summer season than during the winter season.

6. Obviously the type of project that will make up this " investment reserve " will depend on the general character of the economy. In a private enterprise economy, the spending programme will be limited to public investment in the strict sense of the word, such as roads, hospitals, schools, bridges, clams, irrigation works and, possibly to some extent, slum clearance. In a mixed economy the reserve will also include investments in transport, public utilities and other basic, industries. If, for one reason or another, a project that forms part of the investment reserve cannot be postponed any longer, but has to be implemented before the depression, a new scheme involving roughly the same expenditure and the same number of men might be substituted. The new project should also be planned in great detail.

7. The governments should try to solve in advance legislative, technical and administrative problems, arising from the implementation of a large public works programme. For instance, in many countries, governments need special authority from the parliaments before they can act. Such authority should obviously be demanded beforehand. The question of co-ordinating the efforts made locally and those made by the government also needs careful study, particularly in view of the fact that the projects undertaken by local authorities will probably have to be financed from the government budget. Advanced decisions have to be taken concerning other essential issues e.g. the rates of pay in relation to the " open market wages " , the right to refuse offers of work in an area distant from the domicile of the worker, etc. Planning emergency administration is not the least important problem. Undoubtedly the best solution would be for each government to establish as soon as possible a permanent Public Works Department which would handle all questions concerning the Investment Reserve centrally. This department should branch out into local offices working in close co-operation with local authorities. Such a skeleton administration could then be expanded in times of depression when the public investment programme was put into operation.

8. A third factor in a positive public works policy is to establish a mechanism to ensure that the investment projects are put into effect automatically whenever a recession or depression is considered to have begun. This problem of timing might be solved, as has been suggested by the recent U. N. 0. report on the unemployment problem, by laying down the rule that the public works programme should be implemented as soon as the level of unemployment, expressed as a percentage of the working population, had reached a certain figure and tended to remain there for a specified period. The rate of this " warning" percentage will obviously vary, depending on the general economic structure of the country in question and the nature of its governmental policy. The important thing, however, is that a predetermined figure should exist for each Member State and that use should be made of the investment reserve when unemployment exceeds that figure for a certain length of time.

9. The introduction of such " warning " signals will raise certain technical problems, because few Member States possess sufficiently reliable statistics on unemployment and the number of wage earners. This question has, in fact, a wider aspect, as the collection and analysis of various statistical material is a prerequisite for an efficient full employment policy. To name but one instance, the problem of stabilising the total investment volume involves compilation of much material and the making of accurate and reliable forecasts regarding the future development of private investment.

10. The fourth cornerstone of a public works policy is agreement to finance the new expenditure through budget deficits. An anti-depression policy where the government increased taxation in order to finance the public works would be self-defeating, as the introduction of new taxes or increasing existing ones would only result in a decline in effective demand thus exacerbate the unemployment situation.

11. The fact that no country can isolate itself from external influences and that governmental measures in the economic field have repercussions on the economies of other nations makes it imperative that the public works policies of the Member States should be conceived in such a way as not to interfere with the economic stability of other countries. There would seem to be a relatively wide scope for collaboration between the Member Governments in this field. Thus some sort of arrangement might be envisag ed whereby governments made available to each other their plans for public works policies, as well' as for other measures which they expected to take to maintain economic activity and through which joint and regular consultations

could be instituted. Such conversations might take place through the intermediary of the 0. E. E. C. or the I. T. 0., which would be instructed to draw up reports on the basis of material received from Member States and which could give expert opinion on the various plans and their co-ordination.

12. Co-operation between Member States in this field might even take the form of joint public works. The Committee refers in this connection to its Report on European Public Utilities where certain aspects of this question have been dealt with. There would seem to be two fields where such a common effort might be contemplated, namely transport and housing. The Committee is, however, not yet ready to present any concrete proposals to this end.

Appendix 19 APPENDIX S

Report on the Co-ordination of European Communications

1. General observations

Many arguments can be put forward to prove the need for a co-ordination of the European systems of communication of all kinds. First of all, there is the need for achieving a more efficient utilisation of Europe's existing resources and industrial capacity; everything that results in lowered costs or higher output per head represents another step towards the economic recovery of Europe. From a more specific angle—that of the dollar problem—the transport apparatus of Europe assumes major importance, owing to the fact that one important source of dollar earnings, the tourist traffic, is to some extent a transport problem.

Another reason for stressing the desirability of increased co-operation in communications arises from the fact that communications lend themselves to integration quite naturally. Thered'un fore, it should be easier to achieve European co-operation in this field than in most others. Indeed, the European transport system is already co-ordinated to a considerable degree.

Finally it should not be forgotten that communications play an important rôle in bringing the different nations together. In this respect it might very well be said that an efficient and low-cost European transport system would de much to abolish national differences and to facilitate the mobility of labour where this is not hampered by administrative obstacles. From the point of view of a United Europe, therefore, the co-ordination of European communications is of considerable importance.

2. Postal system and telecommunications

In the field of postal transport and telecommunications international co-operation is already far advanced. There arc two basic international organisations, namely the Universal Postal Union and the International Telecommunications Union. Through these two bodies a high degree of integration and uniformity as regards rates, rules, etc., has been reached. The scope for reforms or further co-ordination, therefore, seems rather limited, unless very technical problems are taken up.

3. Maritime transports

(a) Inland water-way transports

A study of the problem of inland water-way transports has formed part of the work pursued by the Inland Transport Committee (I. T. C.) of the Economic Commission for Europe in Geneva. The studies of this body have, however, up to now been chiefly limited to a census of available craft and to an examination of certain legal problems, for instance, that of transport contract, which arise in connection with waterways. The scope for integrating the activities of the Member States in this field seems rather restricted, with the possible exception of the Rhine traffic which, however, concerns only a few of the Member States directly. Since a conference is envisaged between the governments of the nations bordering the Rhine with a view to closer co-operation, no strong argument could be put forward for the Sub-Committee to discuss the subject at this stage. It should be added that the important problem of extending the present network of canals will be considered in the report " European Public Utilities ".

(b) Shipping

Shipping has always been an important element in the balance of payments of the Member States of the Council of Europe. Not only was it before the war a net earner of dollars for the Western Europe area—as compared with the net deficit in 1943 of more than 200 million dollars on transport account with the United States; it contributes, moreover, indirectly, via the tourist traffic, to the flow of invisible income of these countries. In 1949 American tourists spent about 200 million dollars in Western Europe and it is expected that this figure will reach some 800 million in 1952. There is thus an opportunity of increasing the hard currency earnings of Western Europe, provided that appropriate steps are taken. Among the measures to be considered is undoubtedly that of a.closer integration of the merchant marines or, at least, a more extensive collaboration.

The problem of the co-ordination of shipping seems, at a cursory glance, to be exceedingly difficult. For many reasons of both technical and institutional character this field does not lend itself easily to integration. In contrast, for instance, to railroad transport, shipping companies of the different countries compete on the

same routes and for the same customers. The old slogan " trade follows the flag " shows the importance that traditionally belongs to shipping when it is a question of fostering trade relations between countries. The shipping companies of the major sea-faring nations would probably refuse any co-ordination more fundamental than the regulation of freight rates, etc.

It therefore seems necessary in this case as it was in that of postal communications, etc., to discuss specific problems and to avoid the wider issue of co-operation. One such question, as Was suggested above, is that of the means by which European shipping can assist in the development of the tourist traffic, especially from the dollar area. The main factors to take into account when considering this are, first, that the tourist traffic from dollar area is concentrated to a short season of between four and five months and, secondly, that most tourists look upon the sea-passage as an important part of their holiday. The first factor involves the problem of how to employ the tourist ships during the off-season and the second how to achieve a high standard of comfort without too large an increase in building costs and rates. This is evidently a field where tripartite talks —• between governments, slripping companies and shipyards—might yield extremely fruitful results. Since this question is at present being studied by the 0. E. E. C, the Secretariat-General might usefully be instructed to get in touch with the Secretariat-General of this Organisation with a view to reporting to the Committee on the progress of its studies.

Another question, which it has been suggested should be discussed, is that of the establishment of preferential rates on the intra-European routes for special categories of passengers of the Member States. Thus it might very well be possible to let students and similar categories receive reductions in their fares. The aim of such an arrangement would be to make it easier for nationals of the Member States to acquaint themselves with one another's countries. At the same time it could probably be conceived in such a way as not to become a financial burden for the companies involved. Thus is should be understood that reductions would only be granted during the slack part of the year.

4. Road transport

The problem of co-operation in road transport is not one that can be usefully discussed by the Sub-Committee, since it involves many problems of a highly technical nature, and also the need for co-operation does not seem' so urgent in this field as in some others. What is more, the Inland Transport Committee (I. T. C.) has made an intensive study of these issues and has also achieved important practical results. Among the problems with which this Committee has dealt, mention might be made of the preparation of draft conventions on road traffic (rules of the road, driving permits, vehicle licences, signs and signals, etc.) and a convention regulating customs formalities with regard to routing and commercial road vehicles and the transport of goods by road. Furthermore, the I. T. C. is considering a plan for an international road system, and is examining the possibility of establishing a more permanent international organisation in the field of road transport, and, in this connection, the creation of uniform rules for road transport contracts.

5. Railway transport

In this field there already exist inter-European or international organisations which aim at achieving the co-ordination of railway transport. A clear distinction should be drawn here between railway transport bodies which are inter-governmental and those which are set up by the railway administrations. The organs of the former category are :

a. The Rail Sub-Committee of the Inland Transport (I. T. C.) of the E. C. E.

b. The Berne Union (Control Office for International Railway Transport).

c. The International Conference for Promoting Technical Uniformity on railways (Unité Technique).

d. Inland Transport Committee of the International Labour Organisation. This is concerned not only with railway transport but also with road and inland waterway transport. However, it deals primarily with the labour problems of this industry, and on a world-wide scale. It should therefore be left out of the discussion in this connection.

Among the non-Governmental bodies mention might be made of the following :

a. Internationa] Union of Railways;

b. International Rail Transport Committee;

c. European Passenger Timetable Conference ;

d. Internationa] Goods Train Timetable Conference ;

e. International Carriage and Van Union (R. I. C).

f. Internationa] Railway Wagon Union Organisation (R. I. V.);

g. International Rail Association.

In view of the large number of bodies that ! are concerned with the co-ordination of railway transport, it is only to be expected that efforts j should have been made to reduce their number and to integrate their functions. The Resolution adopted by the International Federation of Transport Workers, which has been referred to the Sub-Committee for study, can be mentioned in this connection. The problem has also been taken up by the I. T. C. which did, ! in fact, enquire from Member Governments \ already last year, through the Secretariat of the E. C. E., whether they considered that the present structure of railway bodies should be modified.

In their replies, some governments pointed out that the present structure of these bodies undoubtedly hindered international co-operation in the field of rail transport and resulted in an undesirable duplication of work. Others emphasised, on the contrary, that the existing bodies, each of which specialised in one or other of the various sectors of railway transport, often operated efficiently, rapidly and at low cost; they expressed, at the same time, the fear that the creation of a homogeneous organisation with a big central administration might entail a slowing down of proceedings. However, the I. T. C. is pursuing the study of a rational form of organisation in this field.

Among the problems at present being examined by the I. T. C, note might be taken of those of the standardisation of rolling stock, the acceleration of trains and the simplification of frontier formalities. The I. T. C. is, furthermore, studying the possibilities of establishing a uniform system of accountancy for the various railway administrations in order to facilitate cost comparisons and hence the determination of the most suitable routes. In view of the important work at present being done by the Rail Sub- Committee of the E. C. E. in the field of railway transport, and particularly in view of the fact that a rational co-ordination in this field would involve nations that are not Members of the Council of Europe, it would seem advisable that the Public Works Sub-Committee should refrain, for the time being, from examining this subject more thoroughly.

Two exceptions might, however, be considered.

The first is the adoption by the Railway administrations of Member States of an arran gement similar to that suggested for shipping, i.e. the creation of special low rates for certain categories of passengers. Such a policy would be easier to pursue in railway transport as, in this case, it is chiefly governments which are involved, since railways are nationalised in most Member States.

The second question that the Sub-Committee might see fit to consider is that of the development of the railway network of the African territories of the- Member States of the Council of Europe. The industrialisation of this area plays an important part in the European Recovery Programme and would furthermore greatly assist the economic and social advancement of the peoples of this continent. One important prerequisite for the implementation of a more ambitious industrialisation programme for Africa is the extension of transport facilities, which are at present highly inadequate for the desired increase in production. The essential feature of any scheme for the improvement of the African transport system must evidently be the building up, extension and modernisation of existing railway lines on the one hand and, on the other, the construction of new lines.

Such a programme, if it is to succeed, must be carried out with as little regard as possible for national boundaries and should be based: on an extensive co-operation between the Member States concerned.

In this connection various issues arise. Special attention should be given to the following :

a. should supervision of railway development be entrusted to one single body or should several regional organisations be set up embracing respectively North, South, South-West, East and Central Africa?

b. if the creation of one or more permanent co-ordinating bodies is accepted, what powers would be granted them as regards management, fixing of railway tariffs, etc?

c. by what means could the necessary capital be raised? Marshall Plan allocations and Point IV aid might be used to finance a part, though probably only a minor part, of the scheme.

Since the 0. E. E. C. is already examining these and similar problems, it would seem advisable that the Committee should instruct the Secretariat-General of the Council of Europe to get in touch with this Organisation with a view to reporting to the Committee on the present state of the studies of the 0. E. E. C.

6. Air transport

From many points of view it would seem that air transport offers the best opportunities for co-ordination in the transport field. This branch is relatively young and has, therefore, not yet developed too many vested interests and institutional traditions. Furthermore, on many routes it is still struggling with high costs owing to excessive competition. The gains of closer collaboration would, therefore, seem so much more evident. Finally, the predominating part of the European airlines are state-owned, in contrast to shipping, for instance, and this should also facilitate co-ordination.

Different kinds of co-ordination can be envisaged. At one extreme, the individual companies could merge completely into a single unit, for instance, on a regional basis (c.f. the Scandinavian Airlines System). At the other, the co-operation could take the form of joint servicing of routes wherever passenger intensity was too low to allow for several airline systems. In all cases the object would be to avoid the present duplication of aircraft, crews, ticket offices and ground equipment which renders the cost of air travel too high for the general public.

Appendix 20 APPENDIX T

Resolution of the recommendation of the International Federation of Transport Workers for the creation of an International Transport Authority

The Committee on Economic Questions has considered a recommendation adopted by the International Federation of Transport Workers to set up an International Transport Authority.

Having regard to the desirability of maintaining closerelations with the various international bodies at present working in the field of transport, and to the fact that the Inland Transport Committee of the Economic Commission for Europe is at present studying this problem, the Committee resolves that this recommendation be referred to the I. T. C. and the observations of the latter be communicated subsequently to the Committee on Economic Questions.

Appendix 21 APPENDIX U

Report on European public Utilities

One method of providing at least a partial solution to Recommendation 71, § 4, c of the Consultative Assembly, on the need for Europe to develop those of its natural resources which are at present unexploited, would be to set up what might be termed European public utilities. There are certain important natural resources in Europe which are not developed for purely political reasons : for instance, the existence of a frontier dividing a coal-field or river basin means that it cannot be exploited unless prior agreement is reached between the countries concerned; or else a country does not wish to equip a port the use of which would mainly benefit the trade of its neighbours; sometimes, also, a country does not possess the necessary financial resources and is unable to borrow them.

In order to solve these difficulties, the idea of establishing undertakings of an international character which could lessen the effects of artificial political divisions has been put forward from both sides of the iron curtain many times since the war.

The O. E. E. C.'s scheme to construct j power-stations

Thus, recognising that national plans for electric power are inadequate, the 0. E. E. C. is working on a complementary programme which provides, among other things, for the construction of a certain number of power-stations which might be regarded as " international " on account of their location and their method of production. These would be steam-generating stations, which could be completed quickly at relatively low financial cost. As the second 0. E. E. C. report states :

" The implementation of this programme would also help to improve the balance between thermal and hydraulic power resources. The countries which figure in this emergency programme are Austria, Belgium, Luxembourg, France, Germany, Greece and Italy. As far as possible, it is intended to create an international pool from the output of the stations included in the emergency programme. In the long run, it should make an important contribution towards the national development of electric power.

Under study for inclusion in the programme is the joint proposal by Germany and Austria for a hydraulic power station at Braunau and the " Scandinavian project ". The latter aims at increasing Norwegian hydraulic power production for export to Denmark. It involves building a transmission line through Sweden and re-enforcing the existing links between Sweden and Denmark. By linking the grids of the Scandinavian countries, the project should make available a more regular and abundant power supply to all of them."

Poland — Czechoslovakia

In eastern Europe, the joint exploitation of the Silesian basin by Poland and Czechoslovakia is an example of such pooling of resources outside the sphere of the 0. E. E. C. and of the Council of Europe. Under COMECON —• the economic section of the COMINFORM — these two powers have agreed to apply what the protocol calls " reciprocal investments " with the aim of setting up joint undertakings, of which each Government would hold half the. shares.

Definition

There seems to be no reason why these formulae should not be made more general and consideration given to the possibility of setting up " European public utilities ". This concept could be defined as any utility set up on Governmental initiative and operating on the territory of several Member States, whether because its plant is geographically located in several countries, or because its activity extends to several countries. It remains to be decided if we can apply this term to a business undertaking, the physical facilities of which (factories, warehouses, offices, etc.) are located within one country, but whose economic activity extends to more than one country.

Under what circumstances could the creation of such a utility be justified? Obviously a first condition must be the existence either of a natural resource which has not been exploited, or of certain unsatisfied — or only partially satisfied — needs.

The question of profits, in the strict sense of the word, shovdd, of course, be taken into consideration, but it should not be the decisive factor. It would, certainly, be of advantage to the success of the plan if the undertakings selected are those likely in the long run to repay the investments which are chosen. It would also help if the undertaking could be such that a small amount of capital invested would yield the maximum results,

as is the case of the steam-generating plant covered in the 0. E. E. C. plan. It is, however, quite possible that several European Governments might come to an agreement to carry out a necessary undertaking (as for instance a tunnel or canal) which while not profitable in itself would lead indirectly to an increase in the national income.

The question of the balance of payments and especially the possibility of saving dollars would also be an important factor to be considered. Where such undertakings are to be launched in an effort to offset the effects of a depression, the quantity of labour required must be taken into account, and the undertakings chosen should be those which would, directly or indirectly, provide work for the greatest number of unemployed.

"Before the choice of any particular site or industry for the creation of a European, public utility could be made, all the economic and technical factors involved would naturally have to be considered. This is a work which would require detailed examination by competent experts. It is nevertheless possible, in the light of the general principles given above, to indicate some of the lines along which this examination might proceed.

Possible Projects

The field which at first sight appears to be most suitable is that of electric and, especially, hydro-electric power; it is, moreover, the one already partially covered by the O. E. E. C. plan. From this point of view, the development of the great European rivers — the Danube, the Rhine and the Rhone •—• is still to be considered, and the American Tennessee Valley Authority can be taken as an example to show what results may be anticipated from such an undertaking. This American example shows that control of the waters of a river usually serves many pui'poses, among which are improvements in its navigability, the production of electricity, flood control and the development of irrigation.

The field of transport might also be considered (canals, tunnels, motor highways, etc.). The project for a Rhine-Rhone canal has already been discussed, and the Economic Commission for Europe of the United Nations has prepared a plan for the construction of a European network of motor-roads, comparable to that which exists in the United States. Large projects of this nature, if realised during a depression, have the advantage of absorbing a large amount of manpower, even if it is not particulai'ly skilled; they can, moreover, be operated in winter, at a time when the unemployment figure is usually at its highest.

The creation of European research organisation, cither for purposes of prospecting for petrol, uranium, etc., or as centres for research and scientific experiments is another possible proposal which, however, would not in itself be of great assistance in fighting unemployment. Atomic research is certainly the field where such co-operation is at the same time most necessary and most unlikely to be fulfilled, but there are others where political considerations play a less important part. For instance, in the overseas territories there is already a system exchanging information and almost a division of labour between the different national agricul tural institutes (rubber, palm oil, ground nuts, etc.) and medical research centres on, for instance, malaria and sleeping sickness. It is therefore possible that in Europe or in the overseas territories European research centres could be formed; these could, moreover, be used for training competent technicians to serve in those areas where their services are needed.

Finally, European public utilities might be created to deal with surpluses of certain products; they would not limit themselves to stocking this surplus — as is the case with the " buffer agencies " mentioned in the Havana Charter, or as is done by the Federal Government in the United States •— but would process it. For instance, the manufacture of synthetic petrol, which is forbidden in Germany for military reasons, could be planned on a European scale to use up possible surpluses of coal. It would also be wise from now on to provide for the use of the steel surplus which according to a report of the steel committees of the E. C. E. might be expected during the next few years. In view of the general lack of housing, this surplus might, perhaps be used in the production of prefabricated houses, as was done in England immediately after the war.

Unemployment and Public Works

This raises the whole question of the timing of European public utilities. Some, particularly those which are likely to reduce Europe's dollar deficit, might be considered as urgent. On the other hand, those which would assist in alleviating a depression by absorbing the surplus of raws materials and labour should be carefully planned, but held in reserve until such a time when a crisis appears.

There should be no illusions, however, about the extent to which the unemployed may be absorbed by a policy of public works. Unless the primitive methods adopted for building the Pyramids are used, modern public works particularly the construction of dams, etc., absorb more capital and plant than they do labour. Such works only assist indirectly in the economic recovery, to the extent that they stimulate other branches of economic life. These facts are widely known.

Financing

The problems of financing, the legal status of, and the administration involved in the creation of European public utilities are, on the other hand, entirely new.

The last two problems obviously depend on that of finance. Mention was made earlier of the Tennessee Valley Authority. This Organisation has achieved complete success in controlling a river the size of the Rhine, in generating electricity equal to half the amount of French annual production, and in carrying out a profound change in local agricultural practice. This may, perhaps, have been due to a daringlegal experiment, and a very flexible organisation. It was, however, only made possible by investments up to a total amount of 1,000 million dollars which the American Federal Government made in the seven states of the Tennessee Valley over a period of fifteen years.

In the same way, the importance of the 0. E. E. G.'s plan for building power stations is to be found in the fact that credits are available under the Marshall Plan to finance it. Once these credits are exhausted, the World Bank could no doubt contribute to the financing of European public utilities but it would undoubtedly be necessary, in one form or another, to find the main part of the capital required on the European market. This presupposes the layingdown of precise rules relating to : the partici- \ pation of countries in which the plant of other Member States of the Council of Europe would be situated; the conditions under which non- Member States could contribute to the financing of these undertakings; the method by which goods and services produced would be distributed; the guarantees which must be laid down for the transfer of interests; the method by which the seats on the governing body ami the directorships should be allocated; etc.

These problems arc the very ones which confronted the Commercial Policy Sub-Committee when it considered the formation of European companies, which would provide a legal form admirably suited to servo our purpose. It might pei'haps be contended that the development of national resources is the field in which the creation of European companies is the most urgent, and the most likely to be effective.

The companies concerned would be European public companies because, even if private capital is contributed, it would undoubtedly be for the respective States concerned to undertake their > planning, direction and control.

Method of Formation

As long as no kind of executive power exists in Europe, these projects could only be undertaken by direct negotiation between States. In a federal constitution, such as that of the United States, a certain procedure is foreseen (under the title " inter-state compact ") , alongside the powers granted to the Federal Government in the field of inter-state trade. If the American example serves as a guide, two features stand out clearly : the great majority of public undertakings which extend their activities to more than one State, are due to federal initiative, secondly those — and they are very rare — which owe their origin to direct negotiations between states and to the signing of an " inter-state compact" usually function rather badly. The director and managingdirector posts are most often filled without due regard to the abilities of their holders, and since the latter regard themselves as representatives of their state, the undertaking is paralysed.

The same drawbacks will, no doubt, also appear in Europe and one might even expect that they will be more evident in negotiations between sovereign states than between states in a federation.

On the other hand, the difficulties which arise in the negotiations and in the application of an inter-state pact undoubtedly spring, to a great extent, from the fact that in the United States an alternative exists; very often the inactivity or lack of goodwill on the part of states is due to their desire to compel the federal Government to take the initiative, in particular, with regard to financial aid.

It is to be hoped that in Europe the absence of an alternative will be of assistance in overcoming these difficulties.

Under the circumstances, it would seem desirable for the Committee not to attempt to make new recommendations, which owing to the lack of any executive European authority will hot be put into force, but rather to support politically, and incorporate into their own recommendations, all concrete proposals suggested by a Member Government or by such specialised organisations as the 0. E. E. C.