

'The future of the OEEC' from Il nuovo Corriere della Sera (29 October 1949)


Caption: On 29 October 1949, the Italian newspaper Il nuovo Corriere della Sera considers the future of the Organisation for European Economic Cooperation (OEEC) and stresses the importance of coordinating national economic policies across Europe.

Source: Il nuovo Corriere della Sera. dir. de publ. Guglielmo, Emanuel. 29.10.1949, n° 254; anno 74. Milano: Corriere della Sera. "Avvenire dell'O.E.C.E.", auteur:Lenti, Libero , p. 1.

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Now that the level of European Recovery Programme (ERP) aid for 1949–50 has been set and all have played their hand, the more general debate on the operation of the Organisation for European Economic Cooperation (OEEC) is being revived here. The OEEC is the body responsible not only for distributing the total amount of aid among the participating countries but also, and far more importantly, for determining how that aid is to be used to secure effective economic relations. The US Senate and Congress argued for quite a time before agreeing on the figure of 3 628 million US dollars for the period 1949–50. But there was even more fighting among the 18 European dogs (no offence meant) over the bones of the ERP. This summer, the working group of the OEEC's Committee on Programmes proposed a form of distribution that failed to gain the approval of the OEEC Council, particularly in relation to the requests of the United Kingdom. At the time, the latter was greatly concerned at the haemorrhaging of dollars that successive sterling devaluations had failed to stem. Two 'wise men' were given the task of determining a new distribution system: Belgium's Baron Snoy d'Oppuers, Deputy Chairman of the OEEC Council, and France's Robert Marjolin, Secretary General of the OEEC. The Washington Economic Cooperation Agency (ECA) rejected their proposals because they had failed to put aside the 150 million US dollars that the US intends using for the economic development of the overseas territories, to fund European manufacturing programmes and rapidly promote greater freedom of trade. All the figures Baron Snoy d'Oppuers and Robert Marjolin came up with had therefore to be reduced yet again, by approximately 4.4 per cent, to arrive at the current final figures.

The working group of the Committee on Programmes had awarded Italy the theoretical amount of 433 million US dollars. But when the aid was actually granted, we had to accept a deduction of 50 million US dollars, set aside as a currency reserve in 1948–49. Actual aid for 1949–50 therefore amounts to 383 million US dollars. In response to our protests, Baron Snoy d'Oppuers and Robert Marjolin increased the aid to 407 million US dollars. Cutting it by 4.4 per cent, by 18 million US dollars therefore, to resource the 150 million US dollar fund so dear to the United States, leaves us with the current — and we hope definite — figure of 389 million US dollars. I have deliberately gone into the background to those figures in some detail because, on the basis of current discussions, they may end up being the definitive parameters used for the distribution of aid in future years also.

For some time, the OEEC has been in the hot seat. To cut a long story short, the way the Organisation operates has been the subject of criticism because it is no more than a gathering of officials who are dependent on their individual governments. The OEEC's economic policy is therefore based on compromises struck from time to time between the different governments, through the intermediary of their representatives to the OEEC itself. Currently, the British are its fiercest critics. And they are the ones who should be keeping the lowest profile. The blow inflicted by the devaluation of sterling is still fresh in our minds. But the British know that attack is the best form of defence. Let me be clear about this: a facile and rather perfidious attack. More than a year ago, in this paper, I voiced my concern that the OEEC was becoming a print-shop, by which I meant that the economic issues were being submerged under mounds of paper. That concern has proved to be founded. And, a little belatedly perhaps, the US too has realised this.

That is why Washington's ECA has proposed facilitating the work of the OEEC. Hitherto, total ERP aid has been distributed on the basis of the various national importation programmes from the dollar zone. The amount of aid per country was in fact intended to be equivalent to its balance of payments deficit in dollars. No surprise then that the national programmes were closely scrutinised by the other OEEC participating countries. There was a determination to track down errors. Evidently those errors are not always unintentional, and that makes them more difficult to flush out. Unfortunately, this process of going through everything with a fine-tooth comb has thwarted any serious attempt at European economic cooperation. Although recently improved, for example, the agreement on inter-European payments is still failing to provide an effective incentive for the expansion of trade. Consequently, the US, albeit unofficially and taking a decidedly empirical approach, has suggested that this system be abandoned and the allocations for 1949–50 adopted as the basis for proportionally distributing future aid.

In other words, instead of drafting programmes to substantiate its request for aid, to be defended tooth and nail against all the other participating countries, every country should use as a basis the figures determined in advance, based on the formula for 1949–50. It should then draw up its programme calmly, taking a broader view to include future needs and possibilities. This ECA proposal is under discussion. The British appear to be in favour of it. In fact, they seem overly favourable, bearing in mind that the quota they have been assigned for 1949–50 is definitely too small to cover their dollar deficit. Perhaps they have been promised more substantial aid via other channels? Nor should the French take against it. So far, they have enjoyed the lion's share, and it would clearly suit them, for the future too, if the advantageous position they have held so far were made fast. It may in fact be that, in future, the aid will make it possible to set aside currency reserves. These would then be safe from the cupidity of others, something we did not manage in the distribution of aid for 1949–50.

What stance can Italy adopt? Our production capacity, which is so dependent on agricultural cycles, leaves us unsure whether or not to agree to the ECA's proposal. And what if, instead of amounting to 6.9 million tonnes, as it was this year, seasonal difficulties were to cause the next wheat harvest to fall to last year's low levels? Will it really be possible to draw on the common reserve of 400–500 million US dollars that the US wants to set up to respond to exceptional needs? We also need to discuss the issue of the currency reserves. As I have already mentioned, for 1949–50, aid to Italy has been slashed by 50 million US dollars. It would therefore seem fair to calculate future aid to Italy not on the basis of that reduced figure but on the original figure. Other concerns arise because of our low level of national income, uncertainties in international trade following the devaluation of the pound and so on. Those are the issues on the table: and bearing in mind that the distribution of the aid has accounted for at least 80 per cent of the OEEC's work so far, its importance is clear. The United States is making its dissatisfaction increasingly evident. ECA Administrator Paul Hoffman has made it clear that Congress will not approve the aid for 1950–51 unless there is real proof of European economic cooperation. While they are meeting here, the OEEC ministers are going to have to work hard to resolve this. Their discussions are certainly critical for the Organisation's future. The concept that closer coordination of European economies on a regional basis (Italy, France, the Benelux countries and Germany, for example) could be enough to unblock the situation is winning more support. The United Kingdom would thus remain separate.

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