

Statement by Hervé Alphand (20 September 1947)

Caption: On 20 September 1947, in Paris, Hervé Alphand, Director-General of Economic, Financial and Technical Affairs at the French Ministry of Foreign Affairs, outlines the main thrust of the report on the recovery of the European economies drawn up by the Committee for European Economic Cooperation (CEEC) for the American authorities.

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Statement of Mr. Hervé Alphand, Rapporteur General, 20th September 1947

Gentlemen,

In the name of the Committee of European Economic Co-operation, I have the honor to submit for your approval the general report which you have instructed us to prepare on the present European situation, covering the requirements of Europe and a program for its economic recovery. This report is in response to the suggestion of Mr. Marshall, Secretary of State of the United States, in his historic speech of June 5, 1947. It has been prepared by the sixteen European countries represented here in the course of work, which has been carried on in Paris between July 12 and September 22, 1947.

The circumstances in which this report has been drawn up give it the character of an initial report. Supplementary reports, taking account in particular of the development of the international economic situation may be published later.

The present work consists of two volumes. The first contains the general reports consisting of a preamble and seven chapters, together with a certain number of appendices including the report of the Balance of Payments Committee.

In the second volume, there appear the reports of the technical committees: food and agriculture, energy, steel, transport, timber, the Committee of Financial Experts and the Committee on Labor.

The sixteen participating countries which have an aggregate population of 270 million persons and which before the war accounted for nearly half the world's trade, find themselves in a critical situation as a result of the destruction of the war, the paralysis of their commercial relations, and the exhaustion of their financial resources.

The United States, by the assistance which it has furnished us, has already saved our continent from chaos and disaster. Unfortunately, the extent of the problem has proved to be greater than had been foreseen. The disorganization produced by the war was much more far-reaching and the obstacles in the way of recovery more formidable than could have been realized even six months ago.

Since the Committee of Co-operation began its work the situation has continued to deteriorate due to persistent shortage of coal, continued price increases, and the exhaustion of reserves of gold and foreign exchange. Europe which was making a rapid recovery from the devastations of the war, today sees the bases of its economy dangerously threatened. The repercussions of this situation are felt in all sectors of the world economy.

The report which we are submitting to you today proves that a remedy is possible for the illness, which, in greater or less degree, affects all European nations. This remedy must be found first of all in the individual and collective effort of the nations, but the realization of the full effect of that effort cannot be hoped for without exterior assistance. Such assistance in the present circumstances can come, for the most part, only from the United States of America.

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In view of this grave situation, the 16 participating nations have made certain undertakings of mutual co-operation taking account of similar undertakings made by the other participating countries. These undertakings fall principally into the three following classes: production, internal economic and monetary stabilization and European co-operation.

A — The Governments of the sixteen countries are committed to make every effort to develop their national production, in order to attain the objectives specified in the report. In particular, they undertake to reach by 1951 the following production targets:

- (1) to restore to the pre-war level the production of cereals and milk, to increase substantially above pre-war the production of sugar, of potatoes and of fats and to expand livestock products;
- (2) to increase the production of coal by 145 million tons above the 1947 level;
- (3) to increase the production of electricity by 70 billion kilowatt hours above the 1947 level;
- (4) to develop refining capacity by 17 million tons;
- (5) to increase steel production by 80 % above 1947.

The 16 nations consider that the linking together of their production efforts in this way should be an important contribution to the achievement of the programs they have set for themselves.

B — Nevertheless they recognize that the success of this program depends upon the re-establishment and maintenance of their financial and monetary stability.

The Governments of the participating countries have undertaken to carry out, independently of any external assistance, the internal measures within their power in fiscal and currency matters as also in the field of production in order to restrict forthwith calls on the Banks of Issue as well as other inflationary measures and to increase the production of consumer and capital goods. They fully recognize that for the program to be successful stabilization must be effected as rapidly as possible and that in this respect the year 1948 has a crucial importance. If, in the course of that year, the anticipated measures can be taken, a considerable volume of hoarded goods and gold will be brought back into normal circulation and will contribute to the improvement of the situation. But the effort which ought to be made in budgetary revision and in stabilizing the internal economy can be effectively carried out only with external assistance.

C — In addition to the immense task of carrying out the production and the stabilization plans elaborated by the various countries, numerous forms of mutual assistance between the participating countries have been developed by the work of the Committees: measures tending to free the movement of goods and services within Europe, to establish between these countries and with the rest of the world a sound multilateral trading system, in conformity with the principles of the draft Charter for an International Trade Organization. The Committee has also provided for the immediate study of plans for European customs unions, and the most efficient development through collective action of European resources, such as electrical energy, equipment, steel production, etc.

These are the different subjects involving the efforts of the individual nations and the efforts of European collective action which must precede or accompany any constructive plan for the recovery of Europe.

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However, in order to carry out their production effort the participating countries recognize that they must receive a large and continuous flow of goods and services from the rest of the world and in particular from the American Continent. An import program has been developed for these countries covering the period from 1948 to 1951. This program concerns at the same time goods for current consumption (food, coal and raw materials) which are now in such short supply and those items of equipment which are indispensable to permit Europe to re-establish its production. But it should be pointed out that the probable consumption level in 1951 will not exceed the pre-war level. It appears in fact from the report that on the best possible hypotheses, the foodstuffs existing in the world will not be sufficient to provide Europe its pre-war consumption.

These studies show as well that it is principally America that can provide these imports by reason of the exhaustion of resources of Asia and Eastern Europe.

This import program, essential for the production effort, raises most difficult financial questions.

The deficit in the balance of payments is a fundamental fact which reflects the necessity for Europe to supply itself from abroad without having adequate domestic production to support a sufficient level of exports. The report illustrates this fact by financial tables, showing the deficit in the balance of payments for the sixteen countries between 1948 and 1951. These tables show that the deficit with the American Continent, while constantly diminishing, will aggregate during the four years approximately 22.4 billion dollars reflecting, among other items, three billion dollars representing the cost of industrial equipment capable of being financed by the International Bank or other sources of credit. The amount of 22.4 billions cannot be considered as indicating the amount of special assistance which will be necessary. A part of the deficit can in fact be covered by borrowings from the International Bank, private credits, and certain financial resources which the participating countries still have available. Yet it is clear that these resources can make only a small contribution. It should also be noted that most of the participating countries will have dollar payments to make in other parts of the world as well as in America.

These calculations take account of a certain number of assumptions as to the diminution of certain temporary imports from America resulting from the re-establishment of more normal relations with the Asiatic Continent and Western Europe, the increase of European production, and modifications in general price conditions.

If these assumptions are realized, if the European efforts bring about their anticipated results, and if sufficient external assistance is available, there is every reason to believe that at the end of 1951 the sixteen European countries will be in a position to go forward without further special external assistance.

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Thus the report which we submit to you represents an experience without precedent in European economic co-operation. The task, however, is not finished.

On one hand it will be necessary to present to the Government of the United States the completed report, and if necessary the Committee of Co-operation can, after mutual consultation, be reconvened by its President so as to furnish any necessary additional information.

On the other hand, if the external means necessary for carrying through the program are made available to us, it is intended to create a joint organization charged with the task of reviewing the progress made and collecting information from the different governments regarding their programs. This organization will be of a temporary character and will cease to exist when the special assistance necessary to the recovery of Europe has come to an end.

In the course of our work the representatives of the various participating countries have felt with regret the absence of the other European countries which did not find themselves able to participate in this task. They hope that some day a larger collaboration will be created among all of the European countries. They have indicated that to continue the work of co-operation undertaken in Paris they are prepared to proceed to an exchange of views with the other European nations whose resources could contribute to the solution of the problem they are facing. These conferences should so far as possible take place within the framework of the United Nations.

Gentlemen, our report gives, we believe, an objective appreciation of the European situation. It is now for the American people through their Administration and their Congress to examine our program and to consider whether the means of supplying our needs can be found so that Europe can be assured of a better economic future which is indispensable to the stability and prosperity of the world.