

Memorandum submitted by the Netherlands Delegation (Paris, 29 July 1947)

Caption: On 29 July 1947, the Netherlands Delegation submits a memorandum on the economic revival of Europe to the Committee for European Economic Cooperation (CEEC).

Source: Archives historiques des Communautés européennes, Florence, Villa Il Poggiolo. Dépôts, DEP. Organisation de coopération et de développement économiques, OECD. Committee for European Economic Co-operation, CEEC. CEEC 03.

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1. The Conference should take as its starting point that assistance from America shall be asked and shall be justifiable only if the European countries co-operating to this end are in a position to submit proposals such, that at the expiry of the period envisaged, Europe will have a viable economy. Assistance of this kind can be of durable significance only if closer economic co-operation between participating countries results. This co-operation will be able to bear fruit only if constructive proposals are submitted to the United States.
2. When examining the question whether Europe will be able to carry out recovery over a period of about 4 years, account should be taken in wide measure of the fundamental causes to which present-day difficulties must be attributed. No matter how useful an analysis of war damages and of the efforts at reparation and mutual assistance carried out hitherto, — and this analysis should be included in the final report of the Conference — an analysis of the causes of existing difficulties would certainly be much more important. In his statement on 17th July 1947 at the meeting of the Committee of European Economic Co-operation, the delegate for the Netherlands already dealt briefly with this question. On this occasion, he mentioned the fact that as a general rule, European production is inadequate, and he placed the German problem within the framework of Europe. In addition, he drew attention to the fact that trade between the 16 participating countries and the non-participating countries of Europe had considerably decreased; in fact, trade with the countries of south-eastern Europe and the Balkans had, practically speaking, become non-existent. It was likewise pointed out that the balance of payments of various countries in Europe had been very unfavourably influenced by the fact that trade between these countries and their colonies and overseas possessions had been reduced to a fraction of the pre-war figure. As a result of the foregoing, the solution of European difficulties can be found only within the sphere of the national economy of the 16 participating countries. The fact should be borne in mind, if it is desired to prove that with the help of the United States, European economy may recover its viability after several years.
3. The measures which have been taken to date have not taken into account a fundamental point, i.e. the fact that at the end of the war, European economy was not only practically exhausted as regards raw materials and food-stuffs, but also in the matter of industrial equipment and household installations. In most of the war-stricken European countries, it has been impossible to cover these requirements in consumption goods, including consumption goods of a durable character, in order that traditional standards of living be re-established. If moreover, the damages and delay resulting from the war are taken into account, it is an undoubted fact that we are still at present in a period of regression, although in most countries the degree to which requirements, expressed in absolute figures, are covered, has considerably improved, in comparison to the years of occupation. This state of things has resulted in an economy of shortage being maintained; the latter has been overcome only in certain sectors of minor importance.
4. On account of these circumstances, the European economy has become seriously paralysed; if the situation were to continue, it would promote a tendency to autarchy; this would mean that the countries of Europe would become more and more isolated from each other, as occurred at the end of the first world war. The longer this state of things continues, the more serious the consequences.
5. Taking these considerations into account, it is our view that we ought to lay particular stress on two proposals which have already been discussed by them previously. We should very much like the Conference to examine, firstly, the means to be applied to reach full utilization of the existing capacity production of Europe as regards agriculture, industry and transport. This proposal has been made not only because it would enable participating countries to come easily to an agreement, but also because European economy in this way might once more regain some flexibility. Moreover, this would facilitate the establishment of a basis for long-term European co-operation. Secondly, we expressed the desire to establish inter-European trade on a multilateral basis. Thus, European countries would be able to find an outlet in Europe for their increased production. This new state of things should be completed by a multilateral exchange of payments which would eliminate the present hindrances as regards foreign exchange. We shall submit a separate memorandum on the subject. At all events, it appears to us that it would be advisable to submit to the United States before 1st September concrete plans on these two problems.

6. As regards the advisability of making full use of existing means of production, it would seem indicated to give a few more details. In a first discussion, this problem was called a short-term one. In reality, this is a matter the study of which should be undertaken very shortly, but which by its very nature would have long-term effects. Firstly, it is in particular, desirable that in the fullest possible future utilization of the existing capacity of production should be made, and secondly, it will be possible to estimate the question of capital investments in new concerns only when the progress realized in the effort to make thorough use of existing production capacity, has become evident.

By that time, more than one project of capital investment will be estimated in a different light. When studying the problem of utilization of the existing production capacity, it would be advisable to bear in mind that in a large number of cases the existing capacity of production would have to be renewed and brought up to date. Lastly it should not be forgotten that in many cases, rehabilitation of a specific sector of production capacity will be required to enable concerns which are dependent on war-damaged concerns to be got once more into running condition. Complete utilization of the existing capacity of production demands that when drawing up a list of European requirements, these should not be limited to the articles which are being studied by the Technical Committees which are working at present. The economy of the sixteen participating countries presents such very considerable differences of structure, that it is impossible to presume that the spheres of activity of the five Technical Committees, which have been set up, cover the whole ground completely, no matter how important for Europe the vital factors: food, fuel and power, iron and steel, and transport may be.

Needless to say, during the present Conference, only key products can be dealt with fully, but the countries taking part in the conference will themselves have to decide, on general lines, which articles they consider are key products.

When examining the importance of the various products, in the position they occupy in the general frame of European economy, it will no longer be possible to apply the standards which weighed the scales of economy in accordance with the conceptions of those who had had practical experience in this field. On the contrary, the importance of products will have to depend on the degree of usefulness of these products for peace-time economy of their work-producing capacity in the various countries.

7. After having studied the questions pertaining to application of production capacity, it is absolutely necessary to study the questions relating to the new capital investments in Europe. As these new capital investments can be carried out only with assistance from abroad, and as, for the time being, they cannot be applied by using domestic savings, these new investments, as a general rule, will not take first-rank priority. It is a well-known fact that these new capital investments technically represent, for the producing industries, the equivalent of production of equipment to be used in renewing existing production capacity. For this reason it is impossible to conclude merely from production figures, what is intended for replacement purposes, and what is intended as a new investment.

Since at the present moment new investments can only be made with the assistance of help from abroad and only with decisions by the existing Government authorities, a discrimination should be drawn between the various concerns in which investments are made. Difficulties would be insurmountable only if the new capital investments came entirely from private initiative without any government intervention, but these aims could be achieved only when the initial difficulties had been overcome. Therefore it is of the greatest importance that the new capital investments according to the Marshall plan should be examined only if there is a guarantee that these agree with the interest of Europe in general.

The work entailed by this study is so great in scope that it would be difficult to table full and well-defined projects before 1st September next. If merely superficial study were carried out in the matter and if foreign assistance were obtained on a large scale without effective European coordination, there would be a danger of paving the way for a new European crisis, which would stretch over an indefinite number of years. If it were necessary to contract a loan for a specific amount to cover the new capital investments in Europe, it could only be a global sum for all countries as a whole, a sum which would not yet be distributed, and in respect of which a decision could be taken only after thorough study of the matter. When calculating this

new capital investment required, general standards should be applied by taking into account the volume of capital investments in normal years, and the normal increase in population in the various countries.

8. On examining the question of determining in what measure the equilibrium of balance of European payments should be re-established over a specified number of years, it would be necessary to make a distinction on one hand between what the 16 participating countries, will be able to realize in their national economy and what they will be able to do between themselves, and on the other hand what they will be able to realize in their relations with the non-participating countries. In this connection it would be possible to establish various categories. Germany is one of the non-participating countries. However, with Great Britain and France on the one hand and the United States on the other hand, together representing the government of Western Germany, it will be necessary to consider Western Germany within the framework of the interests of the 16 participating countries. It happens that most of the participating countries held considerable economic relations with Germany before the war. It will be necessary to determine in what manner help could be brought to the economy of the participating countries in the sphere of a policy based on the interests of Europe by the occupying authorities. These problems regard food, coal, industry, transport, and investment of European capital in Germany. In all these matters a line of policy based in principle on European interests is necessary.

Before the war the connection with non-participating European countries, were of such importance that in this respect a solution for the participating European countries for the balance of payments is essential. It is sufficient to recall the wheat exports from the Danubian and Balkan Countries, also the exports of oil products from these same countries, tobacco exports, the exports of potash from the Eastern occupied zone of Germany, and the exports of coal from upper Silesia. Without coming to a proper solution on these problems there will be no lasting equilibrium.

The economic field from the colonies and overseas possessions in Asia and Africa were such before the war that they filled a great part of the deficits shown on the balance of payments to the United States.

9. It would therefore appear from the above expose, that the deficit in the balance of payments of the participating countries in regard to the United States must be partly put down to the difficulties which the participating countries themselves are having to cope with, partly to the difficulties raised by the German problem, and also partly to the difficulties facing other non-participating European countries and their overseas possessions.

Should it not be possible to find fundamental solutions to these problems, it will be absolutely impossible to make a definite proposition to the United States, unless a structural reform of the 16 participating countries is tabled in such a manner as to balance the deficit. It is clear that it will not be possible to find a definite solution to all these problems before the 1st of September, and the question therefore arises as to whether it would not be better to make concrete proposals on matters on which we can come to an agreement and to fix a programme for the examination of questions requiring a deeper study, in such a manner that the United States and the world would have a clear picture of the whole.

10. All the above does not detract from the fact that particularly for the period we have in mind, foreign private capital will anew find Europe an interesting medium for investment, whereas it will certainly be necessary that this should resume its full attraction before the end of the four-year period.

11. Although the organizations to be created for the putting into effect of the Marshall plan should only be of a temporary nature, it is nevertheless true that it will be needful to formulate some clear propositions on the structure of these organizations which will have to conclude their task within the four-year period.

GRAND PALAIS

Paris.

29th July 1947.