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At the same time, the US Secretary of State, George C. Marshall, was concerned at the economic difficulties in Europe. In the aftermath of the Second World War, intra-European trade was hindered by a lack of foreign exchange and the absence of an international economic authority capable of effectively organising worldwide trade.

The United States, whose interests lay in promoting such trade in order to increase its own exports, decided to help the European economy via a large-scale structural recovery programme. The United States wanted to protect American prosperity and stave off the threat of national overproduction. But its desire to give Europe massive economic aid was also politically motivated. The fear of Communist expansion in Western Europe was undoubtedly a decisive factor that was just as important as that of conquering new markets. The Americans therefore decided to fight poverty and hunger in Europe, factors which they felt encouraged the spread of Communism.

In a speech made on 5 June 1947 at Harvard University in Cambridge, Massachusetts, General George C. Marshall proposed the granting of economic and financial assistance to all the countries of Europe, subject to closer European cooperation. This was the Marshall Plan or European Recovery Program (ERP).

France and Great Britain were very keen, convening a conference three weeks later in Paris, to which they also invited the USSR, in order to elaborate a common programme in response to General Marshall’s offer. But Vyacheslav Molotov, the Soviet Foreign Minister, categorically refused to countenance any international control and opposed economic aid for Germany.

The Soviet Union rejected the Marshall Plan and persuaded its satellite countries and neighbouring Finland to refuse US aid. Those countries that had been interested, such as Poland and Czechoslovakia, had to give in. This rejection deepened the split between Eastern and Western Europe.

Ultimately, 16 countries signed up to the Marshall Plan: Austria, Belgium, Denmark (with the Faroe Islands and Greenland), France, Greece, Iceland, Ireland, Italy (and San Marino), Luxembourg, the Netherlands, Norway, Portugal (with Madeira and the Azores), Sweden, Switzerland (with Liechtenstein), Turkey and the United Kingdom. They immediately set up a Committee of European Economic Cooperation (CEEC) which drew up a report establishing the priorities for the European economy. But the Americans insisted that these countries should control the management and distribution of the funds themselves. The CEEC therefore set up a permanent agency for this purpose. On 16 April 1948, in Paris, the 16 countries signed a convention to establish the Organisation for European Economic Cooperation (OEEC). West Germany and the territory of Trieste joined in 1949. The colonies and overseas territories of the OEEC countries were represented by their parent state, and the United States and Canada, even though they did not belong to the Organisation, were also involved in its work. The OEEC was therefore a de facto worldwide organisation. In 1960, when the United States and Canada joined, it became the Organisation for Economic Cooperation and Development (OECD), which later expanded even further.

In April 1948, the United States passed a law covering foreign aid and created the Economic Cooperation Administration (ECA) to manage the Marshall Plan. They decided to send a permanent representative to Europe and to set up a special agency in each of the countries involved. Bilateral agreements were concluded between the United States and each country.

The programme for European recovery was divided into subsidies and loans amounting to a total of approximately 13 billion dollars distributed between April 1948 and June 1951. Apart from being invested in modernisation schemes, US aid was primarily used to purchase items indispensable to the European economies: food and agricultural products, raw materials, tools and industrial equipment. The United States also allocated money to developing the production of strategic goods in European colonies where the Americans wanted to stop the spread of Communism. In October 1948, the OEEC set up a Committee for Overseas Territories (COT), which, through a special fund, encouraged European countries to cooperate with the United States in the development of Africa.

The political importance of the Marshall Plan cannot be overestimated. Through this aid, US President Harry Truman wanted to help the free nations of Europe solve their economic problems. But it was also a question of stopping Communism, which was a threat in countries such as France and Italy. This policy paid off. In the April 1948 elections, the Christian Democrat Party defeated the Italian Communist Party, which had previously been so influential. Intense propaganda campaigns also formed part of the Marshall Plan. For example, a ‘train for Europe’, filled with food supplies and staple goods, travelled through the recipient countries to publicise the work in progress and the results already obtained. The press, radio and television were also called in to help. The programme for recovery in Europe was undoubtedly a weapon in the Cold War. But the Marshall Plan also marked the entry of Western Europe into the consumer age, symbolised, for example, by Coca-Cola and Hollywood films. In 1948, the OEEC negotiated a multilateral agreement on intra-European payments. That was followed, in 1949, by a trade liberalisation scheme. From July 1950 to December 1958, a European Payments Union (EPU) restored the convertibility of European currencies and removed quantitative trade restrictions. The OEEC also promoted economic productivity in Europe via the European Agency for Productivity, which it set up in 1953 to study and disseminate information about technical advances in the industrial sector. As an initial umbrella organisation for European democratic countries with a free-market economy, the OEEC was in fact an important forerunner of a united Europe. Yet it remained an organisation for intergovernmental cooperation that was unable to create a customs union.