

Art. 18. Voting on all questions concerning the admission or exclusion of National Committees, as well as on all questions concerning persons attached to the Association, will be held by secret ballot.

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Section IV. – Members' Subscriptions

Art. 26. All National Committees will pay an annual subscription, the amount of which is determined each year by the General Meeting deliberating on a resolution of the Central Council. All subscriptions must be paid by the 31st December of each year.

Section V. – Languages to be Employed

Art. 27. All communications and discussions will be in English and [*sic*] in French.

All publications of E.L.E.C. will appear in English and in French. The Central Council, however, may decide upon the use of other languages for certain communications and publications.

Section VI. – Business Year

Art. 28. The business year of E.L.E.C. commences on the 1st January and ends on the 31st December of each year.

Section VII. – Modifications of the Articles of Association – Dissolution – Liquidation

Art. 29. No modification whatever brought to the articles of Association is valid unless it has been voted by an Ordinary or Extraordinary General Meeting composed of at least three quarters of the National Committees and unless the resolution has been adopted by three fourths of the number of valid votes.

Modifications of the articles of association take effect after having been approved by a Royal Order in compliance with the Law of 25th October 1919. All resolutions concerning changes in the Articles of Association will be brought to the notice of National Committees at least 3 months in advance.

Art. 30. The dissolution of E.L.E.C. may be decided at any time by a decision taken at a General Meeting held and composed in compliance with the forms and general conditions laid down for modifications to the articles of association.

Unless the General Meeting decides otherwise, the Central Council has full powers to liquidate the assets of the Association.

After full settlement of all debts and charges, the General Meeting will decide on the manner in which the net assets of the association are to be disposed of, but, in so doing, must continually bear in mind that the disposal of the said net assets must be made in a manner which is related as closely as possible to the objects for which the association is founded.

The following are nominated for the first time as members of the Central Council:

Sir Harold Butler, K.C.M.G., former director of the International Labour Office, former Minister, H.B.M., Amb. in Washington, Chairman of the British Committee of the European League for Economic Co-operation; Little Court, Sonning, Berkshire, England, of British nationality.

M. Kerstens, Pieter, Adriaan, former Minister, Senator, Chairman of the Netherlands' Committee of the European League for Economic Co-operation. 15, Scheveningseweg, The Hague, Netherlands, of Dutch nationality.

Mr Konsbruck, Guillaume, former Minister, Chamberlain of H.R.H. The Grand Duchess of Luxemburg, joint Chairman of the Arbed Steel Works in Luxemburg, Chairman of the Luxemburg Committee of the European League for Economic Co-operation. 10, rue d'Orange, Luxemburg, of Luxemburg nationality.

Mr Motz, Roger, Senator, Engineer, Chairman of the Belgian Committee of the European League for Economic Co-operation. 9, avenue Maréchal Foch, Schaerbeek (Brussels), of Belgian nationality.

Dr Retinger, Joseph, former collaborator of General Sikorski. 16, Westminster Palace Gardens, Artillery Row, London S.W. 1, of Polish nationality.

Mr Serruys, Daniel-Jean-Louis-Alphonse-Marie, former High Commissioner for the National Economy, Chairman of the French Committee of the European League for Economic Co-operation, 15, rue de l'Université, Paris, of Belgian nationality.

Mr van Zeeland, Paul, Minister of State, former Prime Minister, Senator, 7, avenue Charles-Albert, Boitsfort (Brussels), of Belgian nationality.

Mr Paul van Zeeland, above mentioned, has been nominated as Chairman.

55. European Economic Conference of Westminster, Preparations: March–April 1949

(A) British Report, (B) French ditto, (C) Belgian ditto; (D) Draft Resolutions

(A) Summary of Reports for the European Economic Conference of Westminster, 20th to 25th April 1949. Prepared by the Economic Section of the UK Council of the European Movement, including the British section of the Economic League for European Co-operation [*sic*] and the United Europe Movement (Economic Section), London, 1949 (EM Archives).

(B) Mouvement Européen, Commission Économique et Sociale Française, Préparation de la Conférence Économique Européenne de Westminster, Rapport Général, établi par M. André Philip au nom de la Commission Économique et Sociale Française, Paris, 1949 (EM Archives).

(C) Fernand Baudhuin, Pour l'union économique européenne. En marge d'un rapport (*La Libre Belgique*, no. 107/108, 17–18 April 1949, p. 1).

(D) Mouvement Européen, Section d'Étude Économique et Sociale, Préparation de la Conférence Économique Européenne de Westminster (avril 1949) / SEES 13, Projets de Résolutions, 26 March 1949 (ACDP Archives, NEI no. VI-004-044).

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The economic resolution passed at The Hague was so sketchy that it was almost impossible to translate into practice. It was clear that it would have to be supplemented by a detailed discussion of particular topics with the object of presenting concrete proposals for a European economic union within the framework of an overall concept. For this purpose the European Movement organized an economic conference which was held at Westminster in April 1949, preparations having begun in earnest in the previous October.¹ An 'International Economic and Social Section' of the European Movement² was set up under the direction and practical leadership of the chairman of the British section of ELEC;³ this conducted a lively exchange of views within the national Economic and Social Sections of the European Movement, resulting in numerous reports on various subjects.⁴ All these discussions and reports were within the framework of a working programme and overall concept that had been agreed on

1 Cf. European Movement, European Economic Conference of Westminster, April 10th–15th 1949, General Account and Resolutions INF/4/E, p. 3 (EA Archives, E 791.904) and ELEC, British Section, Progress Report of 20 Oct. 1948 (ACDP Archives, NEI no. VI-004-044).

2 Cf. Memorandum no. 2 of 24 Jan. 1949 (PW7) and *Note pour le Comité Exécutif* dated 4 Feb. 1949 (SEES/5) (both ACDP Archives, NEI no. VI-004-044).

3 The leading role of the British Section is clear from the fact that besides the organizational preparation and the transmission of preliminary documentation on a large scale, it was also responsible for preparing the agenda of the conference. Cf. ELEC, British Section, Progress Report of 20 Oct. 1948 (ACDP Archives, NEI no. VI-004-044).

4 The meeting of 20 Oct. 1948 also agreed on a preliminary list of subjects for reports and their authors on the British side. By March the following had been compiled:

Unification of Currencies in Europe (S. P. Chambers)

European Unity (Bob Edwards)

Free Trade Area (Roy Harrod)

Removal of Obstacles to Trade in Western Europe (Alexander Loveday)

European Union and Economic Organization (Sir Robert Waley Cohen)

The Relations of Associated Overseas Countries and Colonies to the European Economy (Professor S. H. Frankel)

Comments on the above (L. S. Amery)

Economic Development and Social Security in the Colonial Territories of Europe (Lady Rhys-Williams)

Survey of the European Coal and Steel Industries (H. J. Klare)

Tourist Traffic instead of Gold (E. Beddington-Behrens)

Mobility of Labour in Western Europe (Miss P. Elton Mayo).

Cf. Summary of Reports, London, 1949 (EM Archives) and ELEC, British Section, Progress Report of 20 Oct. 1948 (ACDP Archives, NEI no. VI-004-044). There were 42 reports altogether: cf. LECE, 1950 (ELEC Archives).

at a meeting between Butler and the French section on 20 October 1948.⁵ The lively discussions in the months leading up to the conference showed with increasing clarity that the two main issues were those of basic industries and currency: significantly, each of these was the subject of reports by different national sections.⁶ In general, despite the supranational orientation of the debates, the preparatory work at national level made it possible to take due account of the special circumstances, difficulties and interests of the participating countries.⁷ The individual reports and records of discussions were embodied in the national General Reports: these summarized the various measures proposed, the criticisms expressed and the points on which agreement had been reached.⁸

Three international meetings were also held on 6–7 January, 23 February and 26–7 March 1949 with the object of finding common ground among the various economic, political and national viewpoints and working out compromises that could be immediately translated into practical measures (cf. (D) below).⁹ All this preliminary work was of decisive importance to the success of the conference.¹⁰

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(A) British Report

The point of departure of the European Economic Conference is the statement of principle contained in the preamble to the Economic Resolution adopted at The Hague. This report is therefore based on the belief that Euro-

5 Cf. Section d'Études Économiques et Sociales, *Mémoire pour les groupes nationaux préparant la conférence économique européenne*, dated 26 Oct. 1948 (EM Archives) and ELEC, British Section, Progress Report of 20 Oct. 1948 (ACDP Archives, NEI no. VI-004-044).

6 As far as the non-British contributions could be traced, Chambers's report on currency was paralleled by one on the same subject by Giscard d'Estaing (EA Archives, E 791.904); Klare's report on coal and steel was supplemented by the Belgian General Report and Bertieaux's study (cf. European League for Economic Co-operation (1946–1966), p. 6; ELEC Archives).

7 For instance the problem of Britain's overseas territories and the French emphasis on tariff reduction.

8 Cf. (A), (B) and (C). While it is not clear who finally formulated the British report, the French and Belgian reports were drawn up by A. Philip and L. Sermon respectively. Unfortunately it has not been possible to trace the text of Sermon's report (L. Sermon, *L'Union économique européenne*, Brussels, 1949), perhaps because of its late date. (Cf. Mouvement Européen, *Note pour la réunion de Paris du 26 mars 1949 sur les rapports présentés à la conférence*, SEES/10 dated 15 March 1949 (ACDP Archives, NEI no. VI-004-044). However, a summary by Fernand Baudhuin, a member of the Belgian section, appeared in the Christian Democratic organ *La Libre Belgique* on 17–18 April 1949: see (C) below.

9 Cf. *Procès-verbal de la Réunion du Comité Préparatoire* held in London on 6–7 Jan. 1949 (SEM 2) and *Procès-verbal de la Réunion du Comité Préparatoire*, 23 Feb. 1949 (both EM Archives); also *Note pour la réunion de Paris du 26 mars 1949 sur les rapports présentés à la conférence*, SEES/10 dated 15 March 1949 (ACDP Archives, NEI no. VI-004-044).

10 For the importance of the Conference cf. doc. 93.

pean recovery cannot be achieved by each country striving 'to rebuild its national economy by the old methods' and that 'Europe can only achieve the standard of living which it ought to enjoy if its industrial and natural resources are developed on continental lines.' The aim of the Conference is to examine these principles in the light of the economic and social realities of the present day, from which political considerations cannot be dissociated, and to suggest by what successive steps progress can be made in their practical application. For this purpose, it is necessary to take into account not only the general advantages which economic union undoubtedly offers, but also the special difficulties arising out of the past and present circumstances of the various countries of Western Europe which stand in its way. Only by this method can a realistic course be charted, which will command the assent of public opinion and avoid shocks which might cripple the nascent movement towards European unity.

Since the Hague Congress, substantial advances have undoubtedly been made. The O.E.E.C. have provided the first opportunity for approaching the economic problems of Europe from a European standpoint. Though the plans presented for the next four years are necessary national plans, they are being collated and will no doubt be modified, with a view to framing a collective plan for the sixteen countries concerned. This is a very significant departure, the first step towards building a European economic system. But, as the work of the O.E.E.C. proceeds, nothing has occurred to invalidate the principles laid down at The Hague. On the contrary, it is evident that on the present programme, even with the continuance of the generous and massive aid of the United States, Europe will not be self-supporting by 1952. Though there was a marked improvement last year, solvency and economic independence can only be regained by a greater and better concerted effort. Without American aid, the total collapse of Europe's enfeebled economy would have been inevitable. Its continuance will afford a further breathing space, which must be used to the utmost if the living standards of the peoples of Europe are to be maintained even at their present low level, and a sound foundation laid upon which they can be raised to higher levels in the future. These goals can only be reached by the expansion of European production and *intra capita* trade and the reduction of its costs of production, which will permit real wages to be increased, social services to be extended and a reasonable amount of leisure to be enjoyed by all sections of the community.

It is more than ever certain that these goals cannot be attained by returning to the economic warfare which characterized the economic relationship of the states of Europe in the past. It can only be built by a great co-operative effort inspired by the ideal of European unity.

On these objectives, there was general agreement in the British Committee, but there was a good deal of divergence of view as to the ultimate structure necessary to achieve them. It has been suggested that nothing could in the end be effective short of a Customs Union which would imply free trade within Europe and a common European tariff against the rest of the world. The Committee did not regard this as being within the range of practical politics.

Some members believed, however, that Western Europe should endeavour to constitute a modified form of Customs Union, which by one means or another should include its associated overseas territories. It was suggested for instance that a system might be elaborated under which the whole area of Western Europe plus associated overseas territories would have a common tariff vis-à-vis the rest of the world and that the European countries should aim at establishing free trade among themselves, and a preferential system with the overseas territories. Alternatively there might be a common European Tariff combined with overseas preference, the overseas territories maintaining the same measure of Tariff autonomy as they now enjoy. It is not necessary to enter upon a discussion of these alternatives or other possible combinations here. What is important is that there was general agreement that European countries could not afford to establish a system which would divert their exports from overseas towards each other. Some preferential system with the overseas territories which furnish Europe with so much of the raw materials and foodstuffs it needs was considered indispensable.

All were agreed also that for this constitution of any form of Customs Union a lengthy transitional period during which trade within Europe would be conducted on a preferential basis would be required.

If a Federal Government of Europe were established by acclamation tomorrow, it would find it impossible to sweep away the barriers behind which the industrial structure, the wage and price levels, the social services of each country have been built up, without producing violent economic and social disturbances. As federation is, in any case, a more or less distant goal for which public opinion in Britain, at any rate, and probably in other countries, is not yet prepared, it is even less likely that the existing governments would be willing to face the consequences of any such drastic measures.

The constitution of Europe as a Free Trade Area without a uniform tariff against the rest of the world was offered as an alternative to a modified Customs Union. Under this system, trade barriers between European countries would ultimately be abolished, so that goods and capital would flow freely and all the advantages of a great European market would be reaped. On the other hand, each country would be free to maintain what tariff or preferential arrangements it pleased with countries outside the European system. This system would avoid the necessity for low tariff countries raising their tariffs to a higher common level and would, it was argued, most easily accommodate mutual beneficial arrangements with overseas territories.

A third proposal discussed was the establishment of preferences within Europe and between Europe and Associated Territories, not as a transitional phase towards a modified Customs Union or a Free Trade Area, but as a permanent system. Such a preferential system would of course run contrary to most favoured nation obligations and to the I.T.O. Charter and would necessitate the assent of parties to commercial treaties and of the International Trade Organization or the abrogation of existing treaties and of the Charter.

Whatever the ultimate objective, it was agreed that some preferential system would be necessary in the early stages of European Union, not least in order

to dovetail into it the existing arrangements between the associated nations of the British Commonwealth or the overseas territories of France and other European countries to which reference will be made later. Before the preferential stage is reached, however, a number of preliminary measures are necessary to remove the existing instabilities of currencies and prices and the obstacles created by import quotas and other quantitative restrictions, all of which at present render the operation of any regular economic system impossible in Europe. The Committee accordingly decided to concentrate on these immediate difficulties before embarking upon the doctrinal controversies which the consideration of the ultimate European structure is bound to evoke.

The construction of a European Economy

1. The Immediate Evils and their Remedies.

The present position of Western Europe as a whole and of most of the countries which compose it is sufficiently well known to need no lengthy exposition. Its three outstanding features are:—

- (i) the total unbalance of trade between Europe and the dollar area;
- (ii) currency restrictions in many forms, including the prohibition of currency transactions except under licence, import quotas designed to limit demand for particular currencies, both in Europe and the dollar area, differential rates of exchange, and prohibition of capital movements;
- (iii) as a consequence, restrictions on intra-European trade, which is expanding too slowly and in some cases even declining, bilateral trade agreements and uneconomic attempts to attain self-sufficiency; restriction of tourist traffic, which might help to balance intra-European payments.

All these evils are the natural and inevitable consequences of the devastation, loss of overseas investments, dislocation of the channels of trade, of industry and of agriculture which the war produced. In order to remedy them, three types of effort were suggested.

(a) *The O.E.E.C.*

The fullest co-operation in the European Recovery Programme is the starting point. If that fails, recovery cannot be achieved, still less the economic integration of Europe. The successful operation of the O.E.E.C. is the first test of the possibility of attaining European Union. Already two important and promising measures have been taken. The first is the decision to draft a common programme and co-ordinate policies for executing it for the next four years. If that objective is reached, the first and perhaps the most difficult stage in building a European system will have been accomplished, for the first steps on an unfamiliar road are usually the hardest. The second measure is the adoption of the Intra-European Payments and Compensations Agreement, which enables creditor countries under E.R.P. to put their surpluses at the disposal of debtor countries, thus enabling the latter to procure the currency needed to increase their exports. By this means, a first move has been made towards discouraging bilateral agreements and stimulating multilateral trade.

(b) *Monetary measures.*

This healthy process cannot be greatly accelerated, however, until currencies have become freely convertible and prices stabilized within reasonable limits. The manufacturer or the merchant cannot be expected to undertake unlimited risks. He must be able to rely on the value of the foreign money which he is to receive for his goods and to calculate the approximate level of future prices. Neither of these conditions of free and confident commercial enterprise can be guaranteed as long as the value of currencies and the level of prices are liable to violent fluctuation, owing to internal inflation. The next indispensable measure, therefore, for restoring the trade, and with it the living standards of Europe, is to arrest the inflationary tendencies which are undermining the economic and social stability of most European countries. Before much further progress can be made, therefore, the internal finances of each country must be restored to a sound stage, i.e., their budgets must be balanced and inflation arrested. Until stability has been achieved, the risk of further depreciation of the external value of national currencies will continue to exist as a threat to trade. Moreover it is impossible to adjust the parities of exchange of the different European countries to what should be their proper level in relation to existing wage-structures, if any such adjustment carries the danger of aggravating internal inflation.

When external stability has been achieved in all the members of European Union, comparison between the price levels of the different States will become possible and the adjustment of currency values on the basis of their real purchasing power. This process of adjustment will be effected in agreement with the International Monetary Fund and, once it is completed, conditions will exist for removing currency restrictions and restoring the free convertibility of European currencies. On this basis, the resumption of normal trade will become possible and a great impetus will be given to the tourist traffic, the importance of which is now being realized as a means of helping the balance of payments between Europe and the dollar area and between surplus and deficit countries in Europe itself.

(c) *Commercial measures.*

Before the War, a number of conventions were drawn up for facilitating trade, which are in force as between some Western European countries, but have not been ratified by others. If a common commercial policy is to be pursued by the Union, these conventions should be enforced by all its members. They deal with such matters as the simplification of customs formalities, commercial arbitration, veterinary questions and the unification of laws on bills of exchange, cheques, etc.

The two most important steps, however, would be the removal of quantitative restrictions on trade and the elimination of tariffs between States Members of the Union. When currencies are once more freely convertible, and multilateral clearing restored, the need for balancing accounts under bilateral trading agreements will progressively disappear. Nevertheless, countries who still find difficulty in balancing their payments owing to war damage, or the loss of foreign investments, may still be compelled to divert their trade

from home to overseas markets to a greater or lesser extent. Such measures should not, however, be framed on a purely national basis, but should be co-ordinated on a European basis. By these means, quotas and restrictions on imports will gradually be removed, but it should be found possible to begin the process of reducing customs barriers before all quantitative controls on trade have been abolished, following the example set by the Benelux countries. Whether the European Countries vote ultimately in favour of a Customs Union or a free trade area as their ultimate objective, the first step towards freeing European trade from internal tariffs should be the declaration of a tariff truce, by which members undertake to abstain from increasing their tariffs against each other, though they would still be free to maintain their tariffs or preferences as against countries outside the Union. The existence of such a truce, however, would facilitate the negotiation of the reduction of quotas and the abolition of restrictions on movement of labour. These negotiations will probably have to be undertaken, in the first instance, bilaterally between countries or among small groups of countries.

As has already been emphasized, the process of reducing existing restrictions and limiting controls is bound to be gradual in order to avoid violent disturbances of the existing economic and social structure of some countries which might create a strong revulsion of feeling against the whole idea of European Union. At this point, it may therefore be considered what dangers of this kind may be expected and how they can be circumvented.

2. Some special problems.

(a) *Relations with overseas associated countries and dependencies.*

The economy of all the countries of Western Europe has been built up in a greater or lesser degree on their trade with the overseas world, and particularly with the constituent parts of the British Commonwealth and Empire and of the Belgian, French and Netherlands Unions. Both for Britain and for France, the maintenance of their long-established economic relationships with their overseas associates is a matter of vital importance, not only from an economic, but also from a political standpoint. The extent to which Great Britain is dependent on these trade relationships may be seen from the fact that, before the war, her exports to the Dominions and Colonies, including India and Pakistan, amounted to 44% of her total exports, while her imports amounted to 36%. Since the war, these figures have tended to increase, so that British trade with the associated nations of the Commonwealth and with the Colonies constitutes a source of foodstuffs and raw materials on the one hand, and markets for her manufactured products on the other, which are vital to her national economy and to the maintenance of the standard of living of her people. By the sale of a considerable part of her overseas investments in order to finance the war, Great Britain has lost much of her purchasing power in the dollar area, and therefore requires closer economic relationships with Europe in the future than in the past. The problem posed by her membership of European Union is therefore how to reconcile the economic obligations which it entails with the existing commitments to the Commonwealth and Empire which remain vital to her well-being.

This is not an insoluble dilemma. In fact, the revival and expansion of the economy of the United Kingdom depends on finding a solution. The search for it is facilitated by the fact that all the British Dominions have developed considerable trade with Western Europe, in addition to their trade with the United Kingdom. Their prosperity is to some extent bound up with the prosperity of Europe, and the converse is equally true. In regard to the immediate measures referred to in the previous section of this report, no special difficulty is likely to arise from the preferential obligations which exist between Great Britain and the Dominions. It is, however, necessary to consider how these obligations are likely to affect the participation of the United Kingdom in a European Economic Union when more or less normal conditions have been re-established. At the present stage, it is impossible to foresee what shape such a union might take. What is clear is that Western Europe cannot afford to take any action which would impede its trade or the trade of any of its members with its associated overseas territories. On the contrary it should promote such trade by affording some form of preference to their territories. Whether the existing preferences should be extended over a wider area (e.g. the British Commonwealth preferences extended to the whole of Western Europe) or whether a distinct system of preferences should be established leaving the British system in force and whether these preferences should be an end in themselves or a step towards a closer Union are problems on which it may be premature to attempt to reach a definite view now. We would, however, insist on two principles which seem to us of basic importance: (a) Measures must be designed to stimulate the trade of the whole of Western Europe with all European associated territories; (b) Neither European countries nor associated territories must raise their tariffs against the rest of the world.

A customs union with a high tariff against the outside world would do more to restrict trade than to promote it, as was illustrated by the Hawley-Smoot Tariff of 1929, which dealt a heavy blow at world trade and helped to set in motion the heavy depression of the '30s. If Europe became a high-tariff customs union, it would damage the economy of the rest of the world and, in the end, affect adversely her own standards of living.

It is improbable that the Dominions would be willing to enter a rigid customs union, which would require them to impose a European tariff against the rest of the world and to abolish their duties on manufactures of Europe. This difficulty would be felt by all of them in a greater or lesser degree, but particularly by Canada, owing to its special economic relations with the United States. Moreover, apart from the purely commercial aspect of such a union, it would require common policies as regards capital investment, mobility of labour, and the maintenance of prices which might be applicable in the more industrially developed countries of Europe, but would not be suitable to the economies of newer countries overseas.

As has been suggested above, it will be necessary to pass through a transitional stage during which the countries of Europe will accord preferential treatment to each others' products either generally or in particular fields.

During this stage, no great difficulty seems likely to arise as regards overseas countries and dependencies. It is improbable that European countries would in any case be prepared to abolish the protection of their agriculture and to admit all agricultural products of the Dominions duty-free. On the other hand, European countries may seek to increase the supply of their foodstuffs and raw materials from the British Dominions and colonies, and the Belgian, Netherlands and French Unions. Closer association between all the members of European Union and all the countries associated with its members overseas is a necessary factor in solving Europe's balance of payments problem. It may therefore be found advantageous, both to Europe and to the overseas countries, that the European Union should establish a multiple system of preferences. It is not difficult to conceive a system of special preferences continuing to exist between the United Kingdom and the nations of the Commonwealth, or between France and the members of the French Union, within the framework of a general system of preferences between members of the European Union. A system of this kind might pave the way to some system of closer economic association in the near future, but is as far as is likely to be found practicable in the first instance. At the same time, an arrangement of this kind is not at present admissible under the I.T.O. Charter, and would therefore require a new principle regarding exceptions to the most favoured nation clause to be worked out and agreed.

Colonial Territories.

At the same time distinctions must be drawn between the different categories of associated countries based on the different degrees of their economic development. Some of them, like the British Dominions, are nation states with complete political and economic independence and already industrialized to a greater or lesser extent. Others enjoy some measure of economic autonomy, while others again are economically dependent on the metropolitan country. These two latter categories, which comprise the colonial dependencies of Belgium, Britain and France, are still based mainly on an agricultural economy, providing foodstuffs and raw materials in exchange for their essential requirements in manufactured goods.

It is clearly necessary for the expansion of the economy, both of Europe and of the world, that the productivity of the colonial dependencies should be increased. It is equally necessary in order to raise the living standards and social welfare of their inhabitants. In its early days colonial development was inspired by the economic interests of the metropolitan countries. During the last fifty years this old colonial system has been gradually giving way to the modern notion that the primary aims of colonial development should be to increase the prosperity of the world as a whole and to enhance the social and economic status of the native inhabitants. To these aims has been added the political aim of preparing the colonial territories by stages for an increasing measure of autonomy and ultimate independence.

The future of the colonial territories can only be planned in the light of the above principles and objectives, which are now accepted by all the

metropolitan countries. It is evident, however, that progress will not always be rapid; its pace will vary from territory to territory in accordance with its natural resources and the availability of capital and technical equipment for their exploitation. Each of the metropolitan countries – Belgium, Britain, France and Holland – is pursuing the path of colonial progress on its own lines in accordance with practices and traditions evolved by long experience.

None of these countries, however, is at present able to provide all the capital and equipment – roads, railways, agricultural and other machinery – needed for the rapid development of their territories. It is therefore necessary that the available resources should be wisely and economically used, not on competitive lines, as so often in the past, but on co-operative lines. Moreover, President Truman has suggested the important contribution which American scientific and technical assistance could afford in developing the natural resources and the social services of the Colonies. Consultation between the metropolitan countries and the United States has already been initiated under the auspices of the O.E.E.C. The time now seems ripe for a further step forward by establishing a Joint Development and Welfare Board, consisting of European and colonial experts familiar with the problems of backward regions. Such a Board might give considerable impetus to the advancement of the colonial territories and to the utilization of their resources for the benefit of their inhabitants and of the world as a whole. It would furnish a striking guarantee to the colonial peoples that they will be treated, not as subject races, but as potential partners in a common enterprise.

(b) *Social Security.*

It is generally agreed that European Union would fail in its principal object if it did not succeed in maintaining a high level of employment and in gradually expanding the social services and standards of living of its participating countries. It would, therefore, risk condemnation at the start if its first effects were to produce widespread dislocation in industry or agriculture, with consequent unemployment and distress. In order to preserve economic and social stability, it will not be enough to restore the convertibility of currencies and the free flow of multilateral trade. Some co-ordination will also be necessary as regards budgetary policy, long-term capital development plans, price policy and labour movements.

Under modern conditions, budgetary policy is necessarily bound to take into account the whole economy of the country. Defence requirements or heavy commitments for social insurance can only be met after the best utilization of the whole resources of the country has been carefully surveyed. In such a survey the importation of foreign capital or the exportation of national capital must form an important element. If one country is aiming at a budgetary surplus while others aim at a substantial deficit, as a means of combating under-employment, it might become impossible to maintain the existing pattern of trade within the Union.

Moreover, without some co-ordination of capital programmes, wasteful diversion of resources to duplicate productive capacity in different countries or for the erection of uneconomic units is bound to occur. The need for

co-operation in the development of hydroelectric power and in the distribution of coal has already been recognized, while the co-ordination of long-term plans is already under consideration by the O.E.E.C. As will be seen later in this report, the need for planning the development of the steel industry on a European scale is already becoming evident. By co-ordinating capital programmes, the best use can be made of the diminished capital resources of Europe and disturbances caused by flights of capital can be avoided. By this means, too, a rational system of local specialization can be encouraged and cut-throat competition based on depressing wages and prices avoided.

A further danger to social security is thought to lie in increasing the mobility of labour from one country to another. This fear has probably been exaggerated. Before the first war, the conditions for complete mobility within Europe existed. Currencies in Western Europe were completely stable, and convertible, and in order to pass from one country to another a migrant worker did not even require a passport. In spite of this, emigration, though considerable towards the Western hemisphere, was small in Europe. The incentives to emigrate were in fact counterbalanced by other factors of great weight. The average worker is reluctant to leave the familiar surroundings of his own country, in order to take his chance in a foreign country, where he is handicapped by ignorance of the language, dislike for the climate and unfamiliarity with local habits and traditions. Under modern conditions, moreover, it is practically impossible for workers to move in any numbers, or even individually, from one country to another, except under government auspices, while the introduction of large numbers of foreign workers is likely to encounter strong opposition from the trade unions. Nevertheless, it is important that the present restrictions on movement should gradually be removed in order that the manpower of Europe may be used as economically as possible and that large numbers of workers should not remain idle at a time when greater production is imperative. Pending the achievement of uniform European standards, it would of course be understood that any migrant worker would receive the same wages and social conditions as those generally obtaining in the country to which he moves.

Fear is also frequently expressed as to the effect of the competition of lower wage countries on those with higher standards of wages and living, in the event of trade barriers being removed. This fear is also apt to be exaggerated, though it must not be regarded as purely chimerical. Within the United States, great differences of wages and standards of life can be found, although movement is entirely unrestricted. It is probable that in a United Europe, similar differences will continue to exist. Moreover, the level of money wages is only one factor in the cost of production, which is apt to be offset by others of greater weight. Although American money wages are considerably higher than those obtaining in any European country, American products are sold at prices competitive with European prices. The same will probably be found true in the case of Europe. Nevertheless, it is conceivable that wages might remain so depressed in some or all of the industries of certain countries as to constitute a serious menace to other countries, in which higher wages and

better social conditions were enjoyed by the wage earners. These risks will almost certainly necessitate some agreed plan, so as to lessen the impact of the competition of lower paid labour. On the other hand, the closer association of countries of different standards of living and in different stages of social advancement is likely to effect a gradual rise of the less advanced countries, as is happening in the United States.

Carefully handled, movement of labour could encourage rather than discourage the development of social security. Freer utilization of workers throughout Western Europe, supported by enforced minimum conditions of work and pay, could provide a stimulus to improved conditions and to increased production.

(c) *Planning and Free Enterprise.*

At times, it has almost seemed that the fair prospects of a United Europe were destined to founder on its internal divisions. The battles between capital and labour and between the protagonists of planned economy and of free enterprise have tended to obscure the issues, which by far outweigh these doctrinal and, to a large extent, theoretical controversies. It is a fact that, in modern Europe, there is no country which still retains a regime of undiluted free enterprise, or has yet adopted a totalitarian economy. In practice, compromises between the two principles are being worked out every day. When it comes to projecting a European Union, it is obvious that it cannot be conceived or realized without a great deal of concerted planning on the part of the Governments, which is now being initiated in the O.E.E.C. At the same time, there is ample room for an individualist economy within this planned framework. It is, however, necessary that the framework should be constructed on principles acceptable to all parties in the field of industry and production. If the building of a European Union is to be delayed until it can be built as a purely collective economy, it will never be constructed, because Europe will have collapsed before the time arrives. On the other hand, it is impossible to conceive a European Union which is not imbued with the belief in the maintenance of full employment and a minimum standard of social security. In other words, any European structure must be based on some compromise between the extremes of complete liberty and total State control – a mixed economy in which the organizations of capital and labour will be prepared to collaborate for the general good and the rehabilitation of Europe.

3. The Basic Industries.

The success of any European economy must depend on the functioning of its basic industries. Western Europe has potentially a large steel industry and is rich in coal, but hitherto its resources have been used more for the purpose of arming Europeans against each other than for promoting their common prosperity. The steel consumption in Western Europe is far below that of the United States. To remedy this deficiency would be one of the aims of European Union.

According to present plans, the total production of steel in Western Europe will be 56.5 million tons in 1952. Of this figure, Western Germany, excluding

the Saar, is to provide 10.7 million tons, as compared with a production of about 18 million tons in 1938. To reach this figure will imply considerable increase of their present production by the United Kingdom, France, Belgium and Luxemburg, while German production remains at about 60% of its pre-war level. The pre-war consumption of steel in Western Europe was 46 1/2 million tons in 1938, so that an increased consumption by 10 million tons is envisaged. It may be asked whether such a consumption is likely in fact or whether these expanded programmes of production do not reflect the desire of the countries concerned to expand their exports and reduce their imports of heavy industrial products. It will increase the competition for coke, iron ore and scrap and may result in the not very distant future in a surplus production which can only produce unemployment, and in all probability, ill-devised protective measures, intended to stave it off. This might be avoided, however, in so far as the steel-using industries are developed and the general standard of living raised.

It is in these basic industries – coal and steel – that co-ordinated investment and development is clearly most needed. Without such co-ordination, all the evils pointed out in the previous section of this report are liable to occur. There are two alternatives – either a renewal of the old battles between the national steel industries of Western Europe or a new regime which will ensure their harmonious development for the general European goal.

Once the logic of this situation is realized, there can hardly be any doubt as to the right choice between these alternatives. A European plan for coal and steel is essential, all the more because there is a lively fear of the revival of German military power based on heavy German industry. This fear is shared by all the adversaries of Germany in the last war, particularly by those whose territory has been overrun by German armies for the second time in a generation. Their people are not prepared to accept an unconditional revival of German heavy industry without any guarantees for their future security. On these grounds, severe restrictions have been placed on the level of German industry since the Armistice. But, at the same time, it is becoming progressively evident that the recovery of Western Europe cannot be effected without a considerable contribution from Western Germany as the repository of the largest coal strata and the largest metallurgical industry on the continent. In the long run, it is evident that quantitative restrictions on output cannot be maintained on a discriminatory basis against Germany. In so far as they are maintained, they may be expected to produce strong opposition on the German side. It will be open to extremists to claim that these restrictions are not imposed for security reasons, but in order to limit German competition and, therefore, the hopes of Germany recovering a reasonable standard of living. On the other hand, it may be deemed necessary to maintain certain restrictions on the production of armaments.

What, then, are the conclusions which this situation suggests? In the first place, there must be a Western European Steel and Coal Authority. The object of this Authority will not be to integrate the coal and steel industries of Europe into a single internationalized European enterprise, but to ensure their devel-

opment on lines which will prevent ruinous competition and which will best meet the needs of Western Europe. It will be said that such an organization existed before the war in the shape of the steel cartel. That body, however, was interested in the maintenance of prices and the allocation of markets as between competitors. It was not concerned with the direction or extent of investment in the basic industries or with their long-range prospects in relation to the welfare of Western Europe. Some attempt to take these two factors into account is essential, if European Union is to be built on a sound foundation of basic industry. What seems to be needed is a new kind of organization, which combines representatives of governments, of nationalized industries where they exist, of private industrialists and of the workers. Such a combination of interests may require a new structure to give it expression, but the whole European structure will be new and will require to try experiments in many directions. It will have to devise an organization which will allow a great deal of decentralization of function and freedom of action in the field of production, but which will keep the basic industries moving along lines which have been agreed towards objectives which are acceptable to all members of the European enterprise.

The Committee believes that on some such lines, the present Ruhr Authority can be superseded by a European body, which will plan and organize the two great basic industries of the continent for the benefit of Europe as a whole, and which will surmount the psychological obstacles now standing in the way of this development.

(B) French Report

Part I

The Necessity of the Economic Union of Europe

The economic union of Europe is no longer merely an ideal or a hope: it is a practical and vital necessity, a condition of our continent's existence.

If Europe is to survive it must lose no time in carrying out a complete reform of its structure, which cannot be confined to the old national framework.

The impoverishment of Europe is due in part to the consequences of war: the destruction was greater than in World War I, and was more concentrated on key industrial targets.

Under enemy occupation, the whole of Europe was for four years cut off from the rest of the world. Its equipment was badly maintained and underwent no renovation at a time when the other continents were benefiting from great technical progress and numerous scientific inventions.

Finally the prewar economic balance was destroyed by the loss of most of the investments that Europe possessed in overseas countries.

This is especially true of Britain, but it must be remembered that before the war London was the focal point of all intra-European and international trade, and most European exchanges were on a triangular basis. Germany, in particular, fed its population by means of imports from across the Atlantic, in return for which it exported manufactured products to Britain, or to other European