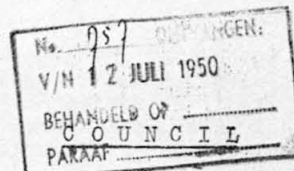


ORGANISATION FOR EUROPEAN
ECONOMIC CO-OPERATION

✓ 6205/50.6
Paris, 7th July, 1950

C(50)199

Cr. Fr.



STATEMENT BY THE DELEGATE FOR FRANCE AT THE 102nd MEETING
OF THE COUNCIL ON 7th JULY 1950

The French Delegation is glad that discussions are to start today on the general policy and future work of the Organisation for European Economic Co-operation. It thanks the Secretary-General for having initiated this discussion by the statement he made at the last Council meeting. It has found the contributions already made by Dr Stikker and Mr. Pella on this subject, most interesting.

Indeed, we all feel that this general discussion is most opportune. Thanks to the help of the United States and to our own efforts, we have all made sufficient economic progress to be no longer subject to the threat of any imminent disaster; we can now look beyond the immediate future. And yet we are faced with a time-limit, since we know that in two years time American Aid, in its present form, will have ended, and that the international position requires us to make still greater efforts.

It is, therefore, time for us to decide which path we wish to follow, and this done, to agree on a plan of action.

First, what are our objectives ?

In a sense, they are still the same as they were the day they were laid down in the statutes of our Organisation. We still wish to be sure that our balance of accounts is in equilibrium. We still wish to achieve full employment. We still wish to increase the standard of living of our peoples. But perhaps today we are more fully aware of the links between these objectives and of the conditions that govern their achievement.

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Equilibrium in the balance of accounts, including equilibrium in our balance with the dollar area, should not be considered as being in itself a sufficient objective, since this problem would not exist if the countries of Europe were ready to sacrifice their plans of expansion, and their standard of living.

Nor is full employment in itself a sufficient objective, since, in theory, it could be attained in poverty and enslavement.

A limit would soon be set to the rise in our standard of living, if, from the start, we were to accept that our economic relations with the rest of the hemisphere could never become as close and as free as those with our immediate neighbours.

I see only one way to reach simultaneously the objectives we have chosen; it is that our goods become competitive with American goods both on the United States and other markets. This is the only way in which we can hope one day to dispense with dollar aid, without having to discriminate against the United States. This is the only way to solve the problem of our balance of accounts with the western hemisphere, to improve the standard of living of our peoples and to guarantee them full employment.

Presuming that this is indeed our objective, there is one immediate question. What has to be done to achieve it? And more precisely: can any one of us achieve it by individual action within our own frontiers?

Frankly, I do not think so, and for various reasons.

American production has an advantage: the size of its home market. This, when production is only possible given a large initial investment and costly scientific research, is of first importance. The time has passed when we could - even if we so wished - offset this advantage by accepting that our workers should have a standard of living considerably below that of their American comrades; progress creates technical and financial demands, against which nothing can prevail. So long as we plan our productions on a national basis, we shall never be able satisfactorily to

write off capital expenditure and the expenditure involved by continually improving technique. In other words, as long as our producers plan on the basis of a national market, their production costs will never be competitive with those of America.

Many of them also start at a disadvantage, because they were not able to keep up with technical advances made during the war.

In addition, we must not forget that while the national income of the United States has never ceased to grow, we, in Europe, have lost a large part of our assets in industry and building, and have had to dispose of a substantial part of our national liquid assets.

Finally, we must remember the additional charges that some of us will have to cover, to meet the requirements of our common defence.

In face of these facts, I doubt whether any one of us can, without temerity, claim to win through, on his own, and within his own frontiers. In any case, I am certain that no one country can hope to do so, except at the cost of enormous sacrifices on the part of its population, and over a long period of time. But we cannot agree to any sacrifice of the standard of living if there is any other solution. And the time we have left is, as I said a moment ago, running out. In fact, even supposing it does not lead us into a 'cul-de-sac', the purely national approach is a luxury we cannot afford.

If we wish to become competitive with the United States, there are no solutions except on a European basis. It is a matter of urgent necessity that a single market should be created and that investment resources should be economised, thanks to a proper co-ordination and specialisation in Europe.

The French Delegation considers that these considerations should determine all present and future studies of the Organisation.

In the first place comes the work for liberalising trade.

The French Government has faithfully fulfilled its undertaking to free up to 50 % of its intra-European trade. It has now taken all necessary steps for the second round of up to 60 %. It is ready to continue on these lines so as to reach the 75 % figure by the end of the year, in accordance with the terms of the Council Decisions.

Finally, the French Delegation is glad that agreement has been possible on the question of non-discrimination. Nevertheless, it wonders whether the problem which took up the time of so many of us yesterday was not badly defined. If Europe is to become competitive, what counts is that there should be a genuine European market for the maximum number of products. This will not be possible, unless the maximum number of products are freed simultaneously by all Member countries. More important than the number of products freed by each individual country is the number of products freed simultaneously by them all. In other words the "joint list" is more important than the "standard list". The French Delegation requests the Organisation to do all it can to establish the "joint list".

The second problem is that of European economic expansion.

The French Government is convinced that there must be such an expansion. Only if the volume of production increases, and the source of taxation expands with it, can our countries meet the expenditure required for reconstruction, better housing and the needs of defence without jeopardising their internal financial stability, and consequently the equilibrium of their balance of accounts.

But the French Government considers that in planning such expansion, constant care should be taken to secure the maximum economy in the efforts to be made. We are too poor and the gap which we have to bridge to compete with the United States is too wide, for us to afford the luxury of any duplication, or unnecessary burdens.

This is why the French Delegation does not wish the stress to be put on the idea of national programmes, to be prepared by each Member country individually for submission to the Organisation. It fears that if the Organisation were faced with such programmes, it would be unable to arbitrate between them and co-ordinate them, as would be necessary. Accordingly, it is afraid that any such procedure would encourage economic nationalism, or at least involve Europe in expenditure which might have been avoided.

In addition, the French Delegation does not believe that economic expansion is necessarily linked with expansion of investment. There is of course some relation between these two terms, but it seems highly questionable that they should be thought of as synonymous. The appropriate studies would probably show that, in many sectors, the European economy as a whole is suffering not from under-investment, but from over-investment; and that the proportion of capital to turnover is in many sectors greater in Europe than in the United States. There may be various reasons for this: too narrow markets, inadequate rate of use, unfavourable location of works, inadequate transport; but the result is always the same: unnecessarily high production costs. I do not wish to go into detail here. I only want to say this. If we feel there is such a problem, we are not entitled to neglect it, since if we did so it would mean that we agreed to the European economy being burdened with unnecessary charges, the standard of living of our population being sacrificed unnecessarily, and the moment when our goods become competitive with those of the United States, being delayed.

These various reasons lead me to the conclusion that, like the problem of liberalisation of trade, the problems of economic expansion and investment should not be considered as the sum total of national problems, but rather as being directly and from the start, European problems.

That is why the French Delegation welcomed with such satisfaction the statements of Dr. Stiller when he recommended an approach sector by sector. That is also why in Working Party No. 5 it insisted that the questionnaires to be sent to Member countries in connection with the preparation of the annual report, should include a section in which the problem of European investment should be considered not country by country, but commodity by commodity. It is the same line of thought which today makes me suggest to you that, without waiting for replies to the questionnaires, the Secretariat should in the case of products it considers of most interest, itself undertake studies which would determine why these products are not competitive with those of the United States.

I shall not here attempt to discuss the legal procedure needed to obtain the co-ordination of investment that is required. The French Government has thought that the best method in the sector of coal and steel would be to create a supra-national authority, subject to a democratic control which would itself be supra-national. Experience may perhaps prove the advisability of extending this proposal to other

products. But this does not preclude the possibility that in other sectors co-ordination may be achieved by mutual agreement within the O.E.E.C. It is also conceivable - and I shall return to this in a moment - that in some cases it may be achieved without direct government action. The choice of methods will depend both on the circumstances, and on the nature of the products in question. But one thing seems to me certain: whatever the circumstances and whatever the products, we shall never make any progress towards co-ordination of investment, if we do not start by making studies that will show us what the problem is in each sector of the European economy.

I should like now, if you will allow me, to touch on a third point: the specifically financial aspect of the problems I have dealt with so far.

The liberalisation of trade and the creation of a single European market should logically lead to the specialisation and standardisation of European production; they also presuppose the reconversion of industries already existing. Standardisation and specialisation, the reconversion of existing economic activities and the creation of new ones, are also, from another standpoint, the essential prerequisites for the development of European economy with a view to reducing cost prices in Europe to the level of those in America. If therefore we wish to deal realistically with the financial questions involved in a real European integration, these four points will have to be considered.

Once the problem has been thus delimited, there are, in my opinion, two observations to be made: reconversion, and the creation of new activities require above all money; standardisation and specialisation may or may not require any, but in any event they are inconceivable without prior financial investigation.

Now there is not at present any financial organisation on a European scale capable of supplying such funds or carrying out such investigations. It would appear to be absolutely necessary to overcome this deficiency if there is to be a truly European solution to the problem of investments. The French Government was conscious of this some months ago, as is shown by the fact that already, last Autumn, it had suggested that the idea of a European Investment Bank should be investigated. Since then, others seem to have reached the same conclusion, for one of the basic ideas of the plan submitted to us by our Chairman is precisely that of a European Integration Fund. The French Delegation regards this coincidence of views as a proof that the creation of a European financial organisation corresponds to one of the needs of our time.

The idea of this organisation requires, however, further clarification.

The liberalisation of trade and the co-ordination of investments may result in depriving certain activities of their present *raison d'être*. This is a fundamental problem which will have to be solved. But if we wish to create a dynamic European economy of the type required, we shall have to approach it constructively, always facing the future rather than the past. This means that the help we shall have to give to industries reduced to idleness must always be so conceived as to enable such industries to reconstruct themselves in order to find once more a place in the European economy. In other words, the emphasis must always be placed rather on the idea of reconversion, than on compensation and indemnities.

Moreover, if I have properly understood the terms of the memorandum submitted to us by Mr. Stikker, it would be the Governments which would apply to the Integration Fund for help, and to them that the sums allotted from the Fund would be paid. I question whether such a procedure would be compatible with a system of Government in which a substantial proportion of the nation's activities would lie outside the sphere of State supervision and control. I am afraid, too, that it may indirectly bring us back to a national conception of the investments problem, where - as I have said before and do not hesitate to say again - I do not think any satisfactory solution to this problem will be found unless it is approached from the European standpoint.

For my part, therefore, I should prefer to leave the question of what bodies or individuals the new Organisation would be empowered to treat with, as open as possible. I should like it to be able to render assistance to Governments, Organisations such as the Authority for Coal and Steel, or to federations of industries or to individual undertakings, as the case may be.

I should expect it to finance directly reconversions, new investment, or improvements with a view to standardisation, but, only subject to two express conditions: first, that such projects should not be of a purely national character but should always be conceived with a view to the possibilities and requirements of the European market; and secondly, that such projects should never tend towards the creation of a European market isolated from the rest of the world.

Furthermore, I do not anticipate that the European Investment Bank - I prefer this term to that of Integration Fund, because in my opinion it more clearly indicates the constructive aspect of the work I should like to see undertaken by the new Organisation - will have to assume sole responsibility for financing the projects answering to these requirements. The task to be accomplished is too huge, and the sums that will be involved too great, for the Bank to be able to finance it unaided. I consider it essential that private capital, both European and American, should be associated in this work.

As regards private investments, the Bank would provide both guidance and advice. If its financial power were adequate, the mere fact that it was taking part in a project would be enough to attract private capital; while its refusal to take part would dissuade private investors from participating in any important projects which it had rejected. So too, any producers who might try to resuscitate cartels would be discouraged through fear that the Bank might create competition against them.

It is quite obvious that such an organisation would have to wield a power corresponding to the scale of its actual usefulness. It is for this reason that I do not think that its management could be entrusted to any other than the representatives of our respective Governments, nor that it would be possible for it not to maintain the closest relationship with the C.E.E.C.

It is also obvious that it could not play its part properly unless it had substantial funds at its disposal. For this reason, and also because European economic development must advance in step with that of America, and because one of the aims of the new Organisation must be to provide guidance for American investments in Europe, the United States would have to take part in the European Bank.

All these various ideas are expounded in greater detail in a special memorandum which the French Delegation will request the Secretariat-General to circulate. All I have tried to do today has been to describe in broad outline the type of Organisation we have in mind.

There is, however, one last idea which, as it is related to those developed previously, seems to me worthy of special mention: and that is the carrying out of joint scientific research by the various Member countries. Scientific research has become of primary importance in modern production, but on the other hand, its cost is continually increasing. In those

circumstances it seems to me absurd that we should continue to work individually and in isolation in this field. The consequence is that scientific research is not as highly developed as it might and should be, and also, that because of duplication, our production costs are burdened with unnecessary additional charges.

If, on the other hand, Member countries decided to pool their efforts in this field, they would obtain better results at a lower cost. Accordingly this pooling seems to me one of the necessary conditions for the creation of a competitive European economy. There are various possible methods of achieving it, such as the creation of a European scientific research centre, or an agreement between countries whereby each of them would undertake a particular field of study and all would agree to exchange results etc. I shall not attempt to enumerate them or to choose between them here. I only ask that the Council should give its agreement in principle, and instruct the Secretariat to contact the international organisations dealing with the matter in order to examine what action should be taken.

It only remains for me to thank you for your kind attention. I have perhaps spoken at too great length and I apologise. My only excuse, but I think it is a valid one, is my devotion to the idea of European economic integration.