

Draft document on problems relating to Germany (26 August 1947)

Caption: On 26 August 1947, the Committee for European Economic Cooperation (CEEC), draws up in Paris a document devoted to the economic reconstruction of Germany and to the country's place in a democratic Europe.

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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Draft document on problems relating to Germany, drawn up by the Working Group established by the Executive Committee at its meeting of 15th August 1947 and approved by the Executive Committee.

1. Information relating to the three Western Zones of Occupation in Germany is included in the report covering the sixteen participating countries.
2. For the purpose of drawing up a European balance sheet of resources and requirements, it is indispensable to take account of Germany, since that economy has been, in the past, and by the nature of things will remain, closely tied up with the economic systems of other European countries. The incorporation of the Western Zones of Germany into the plans elaborated by the Conference, while essential for practical economic reasons, inevitably created considerable difficulty, because a number of fundamental policy decisions with regard to this German economy, which lie beyond the scope and competence of this Conference, have not yet been taken; and because future economic policy in Germany, being in charge of the quadripartite Control Council, is not within the power of any of the participating countries. The Western Zones are also in a special position because of the obligation resting upon Germany to furnish reparations and to assist the recovery of the countries victimised by her during the war. Considerations of security demand also that both the rate and the nature of her economic recovery should be carefully controlled.
3. The German economy must not be allowed to develop to the detriment of other European countries, as it has done in the past, but, if European co-operation is to be effective, must be fitted into the European economy so that it may contribute to a general improvement in the standard of living. In particular, the output of the Ruhr coalfields, which are essential to the European economy as a whole, must not again be used by Germany in such a way as to constitute a threat to European security, but must contribute to the rehabilitation and economic stability of the whole of Europe, including Germany herself. An increased production and export of Ruhr coal is in fact essential for European recovery, and both coal and coke should be fairly distributed between those countries, including Germany, which depend on the Ruhr for their supplies. The machinery, raw materials, food and other supplies which are required to increase Ruhr coal production deserve high priority in any programme of imports either into Germany, or into Europe as a whole.
4. Other Western European countries cannot be prosperous as long as the economy of the Western Zones is paralysed, and a substantial increase of output there will be required if Europe is to become independent of outside support. In planning this increased output, account should be taken of the essential goods which Europe needs from Germany for her reconstruction. For this purpose Germany, like the participating countries, will require help, particularly as the requirements of security will make necessary important changes in the structure of her economy. It must also be realised that these changes will involve complementary changes elsewhere. An excessive concentration of the production and export from Germany of consumer goods traditionally supplied from other countries might create in these countries almost insoluble problems of adjustment; and this factor must be borne in mind when working out the rehabilitation of Germany along peaceful lines consistent with considerations of security.
5. Like some of the participating countries, the bizonal area of Germany faces an extremely difficult balance of payments problem, and the deficit in their balance of payments is at present being borne by the United Kingdom and the United States. The population of the bizonal area in 1951 will be from 8 to 10 millions larger than before the war, and although no imports will be needed as pre-war for rearmament purposes, this area will have to increase its international trade above its pre-war volume, even if it is to meet only its minimum food and raw material requirements. It will only be able to achieve a balance of payments by the end of 1951 on the basis of an export programme greater than pre-war, and of an import programme which, although also greater than pre-war, will have to be on the basis of austerity. The repercussions which this may have during the intervening period on the economy of these countries for whose produce she has in the past been an important, and geographically, a natural market should be taken into consideration when working out the programme of German imports, and every effort should be made to make use of the normal peacetime methods and channels of trade. It is essential that participating countries and Germany should both be able to pay their way after 1951: if either achieves viability only at the expense of the other, the

European economy will still be unsound. Any arrangements relating either to the structure of German industry and agriculture, or to Germany's export, import and transport policy, should therefore be fitted into the framework of European co-operation, with particular regard to their impact upon Germany's neighbours who will be specially affected by these arrangements and other countries in a similar position.

From a longer-term point of view, the future of the German tariff and of German commercial policy is a matter of great concern. It is understood that the German tariff is inoperative and due for revision. It is essential that the new German tariff should be so constructed as to preclude the possibility of the development of German war potential, and to encourage the growth of international trade in contrast with the autarchic aims pursued by Germany before the war. The level of the German tariff should be reasonable in relation to those of the countries with whom Germany will be trading, and as soon as she is in a position to do so Germany should be required to adhere to the I.T.O. Charter and to conform to the principles of other international economic organisations.

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Paris
26th August 1947