

Minutes of the meeting of Western Union Finance Ministers (Paris, 17 October 1948)

Caption: At a meeting held in Paris on 17 October 1948, the Finance Ministers of Western Union emphasise the need to give the Brussels Treaty an economic content. They believe that questions relating to common defence should not be the sole aim of the cooperation, but that discussions on commercial questions should also take place.

Source: National Archives of the United Kingdom, Kew. <http://www.nationalarchives.gov.uk>, Records of international organizations, DG. Copies of records of the Brussels Treaty Organisation and Western European Union. Brussels Treaty Organisations and Western European Union: Microfilm copies of files, DG 1.

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BRUSSELS TREATY PERMANENT COMMISSION

MINUTES OF THE MEETING OF FINANCE MINISTERS HELD IN
 PARIS ON SUNDAY, 17th OCTOBER 1948.

The following were present :

FRANCE M. H. QUEUILLE, Président du Conseil, Ministre des Finances.
 M. PETSCHÉ, Secrétaire d'Etat aux Finances
 M. SERGENT, Attaché Financier à Londres
 M. DEBRAY, " " " Bruxelles
 M. GUINDEY, Directeur des Finances Extérieures au Ministère des Finances
 M. ALPHAND, Directeur Général au Ministère des Affaires Etrangères.
 M. DANGELZER, Ministère des Finances
 M. J. LEVY

BERGIQUE

M. Gaston EYSKENS, Ministre des Finances
 M. DUVIENSART, Ministre des Affaires Economiques
 M. VAN HEURCK, Directeur général de la Trésorerie
 M. LIASOIN, Conseiller au Ministère des Finances.

LUXEMBOURG

M. Pierre DUPONG, Président du Conseil, Ministre des Finances.

PAYS BAS

M. LIEFTINCK, Ministre des Finances
 M. LIEFRENCK, Expert
 M. VAN DEN BRINK, Ministre des affaires Economiques
 M. SPIERENBURG

ROYAUME UNI

Sir Stafford CRIPPS
 Sir Henry WILSON SMITH
 Mr JAKINS
 Mr R. FRASER
 Mr E. F. P. BLUNT
 Mr E. R. COPLESTON.

The meeting was held under the chairmanship of the French Prime Minister and Finance Minister, M. Queuille. He welcomed the delegates with the following address:-

" I am particularly happy to welcome to-day in Paris, my colleagues, the four Finance Ministers signatory, with France, to the Brussels Pact.

This meeting is the second to be held by the Finance Ministers of the signatory countries.

The first was held at the end of last April at Brussels, on the kind invitation of our colleague, M. Eyskens, Belgium Finance Minister.

In the course of this first meeting we occupied ourselves mainly with payments within Europe. We examined which formula should be followed in order to develop to the maximum possible, exchanges between the European countries and to make use, to this end, of the aid provided by the Government of the USA.

We elaborated a system which, for the first time, implied the utilisation, in order to facilitate later European payments, of the equivalent in national currency of the American aid in the form of a gift.

Yesterday, the CEEC met. This meeting was one of the most important that it has held since its constitution.

Several of those here to-day represented their respective governments. I personally very much regretted not being able to be present.

One of the main, if not the main object of this meeting was to approve definitely an agreement between the participating countries with relation to a new regulation of inter-European payments.

This new regulation is one of the most important things accomplished by the Organisation since its constitution. It does not reproduce exactly the project that we had envisaged at Brussels last April but it does come very near to it in one of its essential features i.e. the utilisation for inter-European payments of the equivalent in national currency of the American aid.

I think I have the right to say that, if the Finance Ministers of the Five countries signatory to the Brussels Pact had not, for the first time, put forward this idea last April, the Council of the Organisation would not have been in a position to realise this step forward.

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If I insist on recalling this fact, it is not for the vain pleasure of giving ourselves the credit, It is for the following two reasons.

First of all, it demonstrates that, alongside and within the frame work of the co-operation, which we are pursuing together within the OEEC, there is room for a more specific co-operation between us.

This precedent must encourage us to examine what are the other spheres in which we can usefully concert with a view to adopting a common attitude within the OEEC.

This fact illustrates, on the other hand, that the Brussels Pact has an economic and not only a political significance.

None of the signatory governments is more convinced than the French government of the necessity of giving an economic content to the Pact. If we are called, in the course of the present meeting, to deal with the financial aspects of questions which have mainly a political and even a military aspect we may not, to my mind, lose sight of the actual economic side to our co-operation. I therefore, think that the questions of common defence may not be the only object of our Agenda at the present meeting, and that we may equally proceed to exchanges of view on questions which are actually commercial.

I shall therefore propose to you that we divide our Agenda into two parts. One part should be devoted to questions of common defence sent to us by the Defence Ministers, the other half should be devoted to economic questions.

Having affirmed the deep conviction of the French Government that it is necessary to give a wider significance to the Brussels Pact than a purely political or military one, I shall feel happier in saying some words on the financial aspects of the problems of common defence which have been submitted to us by the five National Defence Ministers.

These will only be indications as I do not wish to anticipate the discussion which we shall have, if you agree, on this subject.

The problem of common defence seems to me in the economic field, to raise a problem of external arrangements and an internal economic and financial problem.

In the field of external financial relations, a problem will arise from the fact that common defence will imply not only a co-ordination of the military efforts of the five countries with a view to orientating them towards a mutual end, but also certain exchanges of supplies and services. These exchanges can take various forms. They may consist of deliveries of materiel from country to country; they may consist of the opportunity

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given to one country by another of utilising certain manufacturing processes. They may consist of maintaining at the expense of one of the associated countries, certain contingents sent to that country by another associated country.

In all these cases, the question arises of knowing whether these exchanges of services will give place to financial arrangements from country to country and, in the affirmative, of knowing how these arrangements will be made.

The CEEC has been preoccupied with the problem of payments which arise between the European countries.

It has made an estimate of arrangements between the participating countries for the year 1949.

It has examined the means of covering the debts which will appear. These estimates and the means of regulation which are envisaged have taken no account of arrangements of a military character and there exists the chance that the calculations may be upset if, added to the arrangements already taken into account, inter-European payments of a military character came to be added.

During the last war, we were, so to speak, apprentices to a system of free mutual aid between the allied countries. According to this system, each of the allies supplied all he was in a position to contribute for the common effort within the limit of his resources and his economic possibilities. Each country provided to the others whatever he was in a position to supply in such a way that military co-operation between the associated countries was never held up by difficulties of currency arrangements.

If we wish to see co-operation in the field of defence developing between our countries, without the questions of currencies ever hindering this development, it seems to me, at first sight, that we have no better solution at our disposal than to have recourse once more to this system of free mutual aid.

I do not think that we can hope to arrive to-day at a precise formula. In fact, the actual data of the problem with which we are occupied are, in the military sphere, still very unprecise.

Free mutual aid is a principle rather than a formula. If we could agree to adopt a principle of this kind, we could leave it to the financial committee whose creation is envisaged, to examine in what form it could be put into effect.

Common defence, on the other hand, presents an internal economic and financial problem.

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It is not for me to say how the problem of the financing of the military effort presents itself in countries other than France. What I should like to do is to say briefly how the question confronts us in our country.

France has a very heavy military budget representing about 300 billion francs, that is to say between one-third and one-quarter of the total budget. This expenditure represents the total financial burden which we assume in order to cover many kinds of military commitments. Independently of the commitments to be fulfilled on our home territory, it includes the guarding of our overseas territories, our participation in the occupation of Germany and Austria and the maintenance of our lines of communications.

A considerable economic effort goes alongside this financial expenditure. The presence under arms of hundreds of thousands of men represents a considerable tax on the manual labour at our disposal. The loss of this considerable proportion is felt acutely when we make our effort, conjointly, with the other associated countries in the OEEC, to put the economy of France on its feet again.

Our military expenditure, therefore, represents a heavy drain on the national reserve and our labour resources. I am obliged to state quite clearly that we cannot increase the amount in absolute value of this item in our expenses. The figure 300 billion francs is an absolute imperative which may not be exceeded without gravely compromising the equilibrium of the French budget.

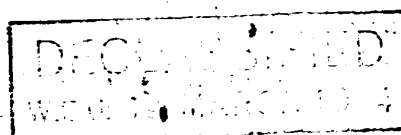
Would it, moreover, be in our mutual interest to develop our military effort to a degree which would compromise our economic well-being? Can one construct a system of defence worthy of the name, other than on the basis of a healthy economy?

Have we not, moreover, each of us, within the framework of the OEEC, taken on engagements which should contribute to the maintenance and restoration of our economic equilibrium?

I have insisted on this point but I do not draw from it a negative conclusion.

I believe, on the other hand, that within the absolute limits which we are thus obliged to fix for ourselves, we can do much in the way of co-operation in matters of defence.

Without entering into a field which is not mine but that of the Ministers of National Defence, I think we can envisage a better partition of tasks amongst us, a specialisation, a standardisation, a certain integration of our forces with a view to attaining a mutual objective.



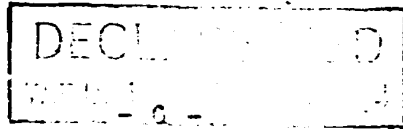
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In this way, without France having to increase her total military expenditure beyond the maximum of which I have spoken, it should be possible to attain, thanks to the co-operation between the five countries, a greater effectiveness.

I have only wished, in submitting these few ideas to you at the beginning of our conversations, to present you with some elements of discussion.

I shall now be happy to know what your own views are and what, in particular, are your suggestions on the order in which we may broach the questions listed in our Agenda. "

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Sir STAFFORD CRIPPS (United Kingdom) suggested that the meeting might proceed according to the Agenda submitted by the Permanent Commission. This was agreed to.

1.- Inclusion in the Metric System of those Participating in the Meeting on financial and economic matters.

The SECRETARY GENERAL drew attention to the special procedure which the Permanent Commission had established for the protection of the secrecy of its work and that of the Military Committee. He said that the Permanent Commission had decided that, as the Finance Ministers, were going to discuss matters directly related to the defence organisation of the Five Powers, the special security code should also be applied to the participants in this meeting although in as limited a degree as possible. He understood that the National Security Committees of the respective countries had undertaken to initiate the delegations in the special procedure so far as necessary and he was satisfied that on the French side this had been done, and that sufficient precautions had been taken to ensure the secrecy of the proceedings. He asked whether the necessary formalities had been gone through by each of the other delegations.

This was confirmed by general assent.

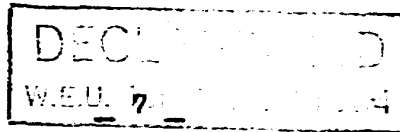
The SECRETARY GENERAL added that this procedure also implied that no individual statements about the main items of the meeting ~~that~~ should be given to the Press. The Press should be referred to the Communiqué if the Ministers thought fit to issue one through the Secretary-General.

2.- Consideration of Metric Document N° 134 : Financial Problems Connected with the Agreements reached at the Meeting of the Ministers of Defence.

SIR STAFFORD CRIPPS (United Kingdom), referring to para. 9 of the document (Metric 134), said that the Five countries had not yet reached a position where they could undertake anything so definite as was indicated. For one thing, the military plans had not yet been worked out, nor had the implications of these plans been studied by the Military Supply Board. Until these two stages had been completed, it would be impossible to see the general picture or to assess the financial implications arising out of it. The third factor to be considered was the coming elections in the United States. It was impossible to judge what the resulting Government would do in the way of participation in the defence arrangements of the five countries.

He concluded by saying that he thought that such preliminary /and questions as were raised in paras 7 and 8/ which needed an immediate solution, could be dealt with on an ad hoc basis, pending the Conclusion of an overall agreement. He thought however that it would be premature at this stage to discuss details of the defence programme which was eventually to be carried through, and therefore, to discuss para. 9.

On this point, definition of the requirements by the Chiefs of Staff and the Military Supply Board should be awaited. Only after this could the financial implications be assessed.



SIR STAFFORD CRIPPS said that his own personal view was that the Foreign Ministers should be asked to arrange, as soon as the necessary data were available, for a joint meeting of the Defence, Foreign, Economic and Finance Ministers to consider the final arrangements for the carrying out of the armament programme.

He was in absolute agreement with M. Qucuille that defence arrangements should not be held up at any cost on account of the financial intricacies involved.

M. EYSKENS (Belgium) declared himself in agreement with Sir Stafford Cripps. He also noted the impossibility of discussing 9 (a), but he wondered whether, Sir Stafford Cripps's statement referred also to 9 (b). Must the advice of the Military Experts also be awaited and would the American elections be likely to have any influence on this point ?

He thought that the questions contained in para. 7 did not contain sufficient grounds for a special meeting of Finance Ministers. The points were of relatively limited importance and could be dealt with bilaterally and without a special meeting. If the meeting were here only to discuss para. 7, he felt that it had been badly prepared and wondered why it had been necessary to meet on a Sunday.

PROFESSOR LIEFTINCK (Netherlands) agreed with M. Eyskens with regard to the latter. He wished to put on record that his Government felt that a Sunday morning meeting was inappropriate. The religious feelings of the Dutch people might be hurt and it had prevented members of his delegation from attending to their religious duties and also deprived them of a well-earned rest. Moreover, such a meeting, held on a Sunday, might create unnecessary international alarm. He wished to suggest that Sunday meetings should only be held in case of great emergency.

Turning to the Agenda, he said that it was the fact that the defence plans had not yet been drafted. The Finance Ministers should not push their military colleagues along the path of rearmament, but should rather leave it to them to state their requirements. He agreed with Sir Stafford Cripps that it would be better to await the outcome of the co-operation of the Defence Ministers on the Western Union defence plans. On the other hand, he wanted to make the following points : -

1. that each country was already involved in large expenditures for its own defence, resulting in a heavy drain both on the national budget and the foreign exchange situation.

2. that the Chiefs of Staff had already agreed an air defence programme which placed a heavy burden on the national budgets, at least so far as the Netherlands were concerned.

He thought, therefore, that there should be a preliminary discussion on how to overcome the difficulties arising out of

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these two points. For instance, the 5 countries, whilst belonging to Western Union, did not place all their armament orders amongst themselves, but often elsewhere. This fact caused serious foreign exchange difficulties. Would it not be possible to agree in principle that the five countries place their orders amongst themselves, giving mutual preference and priority for the Five. He also thought valuable discussion could be held in this meeting with regard to the carrying out of the Air Defence plan.

SIR STAFFORD CRIPPS (United Kingdom) apologised for being responsible for holding the meeting on a Sunday. He had thought it would be convenient to M. Queuille in the first place and secondly, since the Ministers were already assembled in Paris for the OEEC meeting on the previous day, he had thought it practicable to meet the next day and so avoid an extra journey for the delegates.

/partly

So far as air arrangements were concerned, as indicated in para. 7, the meeting might have some discussion on points (a) and (b) as he had already suggested. In the case of his own country he could announce that the difficulties arising out of (a) and (b) had already been solved on the basis of loan and partly by the supply of material and payment of the necessary expenditure. The United Kingdom was prepared to do the same on the other points.

With regard to M. Liefstinck's suggestion re mutual preference, he thought that this was possible unless it was known what the military orders were. For instance, it was more than probable that American equipment would be necessary.

He pointed out that the Five countries were at one and the same time trying to organise the recovery of industry in Europe and to rearm. It might be, in this case, advantageous to buy from other countries in order to promote industrial recovery within Europe. He concluded by saying that a final decision could only be taken when the whole picture of the rearmament programme could be seen.

PROFESSOR LIEFTINCK (Netherlands), after expressing his thanks for Sir Stafford's statement with regard to the date of the meeting, said that he understood that Sir Stafford Cripps considered that further steps could only be taken on two conditions :

- a) that more details on the defence plans were forthcoming and
- b) that the results of the elections in the United States were known. The latter was especially important in view of the fact that the possibility of additional aid from America had to be considered.

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He fully agreed with Sir Stafford Cripps's assessment of the situation.

In the intermediate period, Sir Stafford Cripps had said that the difficulties arising out of the questions in para. 7 (a) and (b) could be dealt with among the Five in the broad and liberal sense which he had indicated.

PROFESSOR LIEFTINCK (Netherlands), welcoming this statement from the British Government, drew the conclusion that they were prepared to discuss with Holland arrangements to overcome certain difficulties in the execution of the air defence plan. Pending a final solution on finances, these problems should be dealt with on an ad hoc basis. He agreed with Sir Stafford Cripps that we should wait a few months and see what resulted from the Chiefs-of Staff Committee, the Military Supply Board and the American elections and try to solve the intermediate problems in the way indicated.

/end M. QUEUILLE (France), the Chairman, agreed that so far the military plans had not taken any definite form, but he thought that if the Chiefs of Staff had to work out their plan without the Finance Ministers indicating to them the financial limitations/possibilities, they would be working in the dark. He, therefore, thought it was necessary to create a financial committee which would work in close liaison with the Chiefs of Staff as had been suggested in Metric Document N° 134.

SIR STAFFORD CRIPPS (United Kingdom) said that his difficulty was that he was not sure that such a committee would be the appropriate organisation. He believed that the financial and economic sides were indivisible. He suggested adding financial and economic members to the Military Supply Board, and draw a comparison with the Joint Production Staff in his own country. He would prefer to leave the form of the organisation to be settled by the Foreign Ministers ~~and~~ rather than set up a Committee which might be an embarrassment rather than an advantage.

Sir Stafford Cripps considered that this meeting only had to deal with the financial side and that they might complicate the work of the Foreign Ministers if they tried to settle the question of organisation. A Committee as suggested by the Chairman would have limited terms of reference, and he asked the opinion of the Secretary-General on this matter.

The SECRETARY-GENERAL pointed out that the Consultative Council would certainly welcome any proposals put forward by the meeting. If this meeting did not make such proposals, the Consultative Council would have to refer the matter back to the Finance Ministers again. He thought, therefore, that recommendations in the sense indicated by the Chairman were essential.

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M. PETSCHÉ (France) thought that the organisation envisaged by M. Queuille would not prejudge the basis of the organisation which would have to be set up later. The Chiefs of Staff needed some principles on financial considerations in order to make the military plans. He envisaged some kind of organisation of advisers working side by side with the Military in order to give a background of the financial possibilities and limits to them. He thought that guidance of the experts on the latter question was especially important.

SIR STAFFORD CRIPPS proposed that the following recommendation should be placed before the Consultative Council :

"The Finance Ministers recommend to the Foreign Ministers that there should be set up a Committee of Economic and Financial matters to work alongside the Chiefs of Staff and the Military Supply Board."

This was agreed.

PROFES OR LIEFTINCK (Netherlands) pointed out that in bearing the burden of rearmament finances, each of the Five countries should bear an equal share. There was the problem of commercial matters to which should not be overlooked. In many of the trade agreements our assets included certain deliveries of war material. If the latter were excluded from commercial treaties the result would be a gap in the balance which had been achieved. There would certainly be some countries who received more arms than they could deliver, and this should be taken into account when agreeing on this principle. The matter could be better discussed by the Economics Ministers who were responsible for trade agreements. This meeting might make a recommendation to a committee of economic and financial experts to study this side by side with the financial problems?

Sir STAFFORD CRIPPS (United Kingdom) proposed that the Finance Ministers should recommend to the Foreign Ministers the following resolutions:

" The Finance Ministers recommend that for the matters mentioned in para. 7 of the report of the Chiefs of Staff, the countries concerned should make ad hoc financial arrangements designed to permit the necessary supplies to flow until such time as an inclusive agreement/arrived at."

/is

M. PETSCHÉ (France) declared himself in agreement in principle with Sir Stafford Cripps's resolution. He wished, however, to add the reservation that payments in foreign currency should be avoided as much as possible. He also suggested that this procedure should apply as well to cases under para. 3 and similar cases.

On the suggestion of SIR STAFFORD CRIPPS (United Kingdom) it was agreed that his draft and M. Petsche's amendments would have to be studied by the experts.

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After a short recess, the experts submitted the following text which was approved :

"The Five Ministers take note of the particular arrangements made for the solution of certain of the problems mentioned in paragraph 7. They suggest that any other similar problems, which may arise in the immediate future, including those dealt with in paragraph 8 shall be the subject of ad hoc financial arrangements conceived in the same spirit and designed to permit the exchange of necessary supplies and services until such time as a general arrangement is reached."

With reference to the suggestion he had made at the beginning of the meeting, Sir STAFFORD CRIPPS, proposed at this point that the following recommendation should be submitted to the Consultative Council.

"The Financial Ministers request the Ministers of Foreign Affairs, as soon as the military plans are ready, to convene a meeting of Foreign Ministers, Defence Ministers, Economic and Finance Ministers to discuss and settle the plans."

The meeting then proceeded to consideration of point 3 of the agenda.

3 .- Implementation of Resolution on Economic and Financial Matters adopted by the Consultative Council on July 20th 1948. (Document A/36 Final)

With reference to point 1. of Document A/36, Sir STAFFORD CRIPPS (United Kingdom) referred to the admirable résumé which had been given by M. Queuille on the work of the Five Powers Finance Ministers since the signing of the Brussels treaty. This had resulted in the very satisfactory achievement the previous day of the signing by 19 countries within the OEEC of the European Payments scheme.

He considered that this constituted an admirable reply to the question posed in para. 1 of A/36.

With regard to long term policies (para. 2 of A/36), he considered that the Finance Ministers must first see how the plans of the CEEC develop, since this organisation was particularly active in this field; there was nothing very useful the five Powers could do outside the OEEC and it might give the impression that the five countries were trying to form a clique of powers within the OEEC. He therefore felt that no further action in the economic field should be taken outside the scope of the OEEC. It would be wiser to concentrate the energies of the five within the OEEC.

PROFESSOR LIEFTINCK (Netherlands) agreed in general with Sir Stafford, but he wanted to point out that, given the existence of Western Union, the Governments should study the long term policies of the other

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four in order to see whether those programmes were detrimental to the others. They might even make suggestions in order to bring about changes in these programmes.

*KUK
Amend.*

SIR STANFORD CRIPPS (United Kingdom) pointed out that it had always been assumed in the OEEC that bi-lateral ~~agreements~~ on long-term plans ~~were not only possible but desirable.~~ *(discussions should be held)*

M. QUÉVILLE (France) suggested then that the five delegations at the OEEC should meet together to discuss matters relating to long term policies.

The SECRETARY GENERAL underlined that a similar procedure was already being following in regard to the United Nations Assembly, UNESCO and the World Health Organisation.

SIR STANFORD CRIPPS declared that he was not in any way against informal discussions on certain agreed questions, but he thought that separate meetings called especially for this purpose would not only discourage the other 14 countries within the OEEC, but would harm the organisation itself.

The Meeting then approved the following communiqué to be issued in the Five Capitals at 6 o'clock on the same day:

" The Secretary-General of the Brussels Treaty Permanent Commission has issued the following communiqué :

Within the framework of the Brussels Treaty, the Finance Ministers of the Five Powers, signatory to the Treaty, met in Paris on October 17th.

They studied the results of the economic and financial cooperation between the Five Powers since the signing of the Brussels Treaty.

They examined what action should be taken to harmonise the long term policy of their respective governments.

They gave some preliminary consideration to the problems raised as a result of the recent meeting of the Defence Ministers of the 5 countries and proposed suggestions for procedure which will be submitted to the Consultative Council in the course of their next meeting on October 25th."

The CHAIRMAN then declared himself very satisfied with the results of the meeting and thanked his colleagues for the spirit of co-operation which they had shown.

SIR STANFORD CRIPPS (United Kingdom) thanked the Chairman for his hospitality and wise guidance of the meeting. He felt that it had once more demonstrated the solidarity of the Five Powers. "

Paris, 17th October, 1946