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ECA

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 6, D. C.

OFFICE OF THE VICE PRESIDENT

August 16, 1948

Mr. Paul G. Hoffman
Administrator
European Cooperation Administration
Washington, D. C.

Dear Paul:

Confirming our conversation of yesterday,
I am enclosing copy of a letter which I have
received personally from Paris. I am not in
position to disclose the name of the writer but
I can assure you that he is both reliable and
well informed. Please consider this confidential,
as I would not want anyone other than you to know
that it had come through the Bank.

Sincerely,


R. L. Garner



Paris, 10 August 1948

Personal and
Confidential



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"In brief, OEEC is falling apart at the seams. The only accomplishment of the organization during its entire existence so far has been this agreement on the Payments Committee. This agreement would never have been reached if it had not been for the visit of Mr. Hoffman and the feeling that some accomplishment would have to be presented to him in self-defense. The British objected to the proposal, fought it tooth and nail during discussions, tried to kill it at the final Council meeting, and seeing that they were alone were unwilling to be the only country to object. Consequently, they agreed in principle but seized on a qualification which we had introduced on the matter of controls, to reserve final approval. I have been personally advised by one of the British representatives that, this was a mere stalling tactic.

"The Italians who, along with the British, objected to the plan during its development, are now using every possible device to sabotage it in the phase of implementation. Their position, in essence, is a desire to pass on to other European countries the conditional grants given to the Italians because they are European creditors, not in the form of grants to other countries but in the form of loans. They have been advised that this position is clearly unacceptable, but have repeatedly raised it. Last week it was brought up again at the Executive Committee and, after long discussion a meeting was arranged with the Chairman of the Council, Chairman of the Executive Committee, Chairman of the Payments Committee, and the Italians to discuss this point. The position was again clearly stated that supplementary grants would have to be passed on in grant form. Losing their case here, the Italians proceeded immediately to the Payments Committee where they changed all of the estimates of intra-European payments so that instead of having a \$80 million surplus, they had a \$20 million deficit.

"As a result of the Italian action, and a similar unwillingness to compromise displayed by the British and the Scandinavian countries in particular, the Payments Committee was not able to accomplish what was merely a technical task, the preparation of reconciled table of intra-European payment. Without such a reconciled table, the payments solution, of course, could not be put into operation. Without the table, the job of OEEC in making allocations of dollar American assistance became more difficult. The failure to accomplish this technical job shows the apparent difficulty in OEEC, that is, that each country can think only of its own dollar assistance, and considers the program to be a means of shovelling out dollars with each of them trying to get as much as it can and the devil take the hindmost.

"A substantial part of the difficulty, at the technical level, arises from the fact that the OEEC is improperly organized. Instead of having a competent secretariat to do the technical tasks necessary, it necessarily turns to committees of national representatives for this work. The secretariat is definitely second-rate. Marjolin is, of course, an extremely intelligent, extremely capable, and very personable individual; he is not big enough for the job. The secretariat in general lacks force, initiative, and in many cases even concern about the responsibilities which they should undertake. The Council must, of

course, be raised to the ministerial level, and the Executive Committee should be at the permanent under-secretary level, at the very least. Unquestionably, Mr. Hoffman has spoken to you about his feelings on this matter and the actions he took while here. I am not sure, however, that he did not get too optimistic a picture since the "cracking apart" became strongly evident only after he left.

"Perhaps I have become too pessimistic on the organization, but it does seem clear that a fundamental change in philosophy is required. There must be a feeling of a joint economic effort to take the place of the present attitude which is one of "get as much as you can under the pretense of international cooperation". How this change is to be effected is, unfortunately, rather difficult to foresee.

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