

a uniform system of transport, financial and credit agreements, freedom of movement of labour, capital and goods. If the immediate realisation of such a programme should prove impossible, in view of the historical difference between the countries involved, economic unity will have to be achieved in stages.

12. In the countries of Central and South-Eastern Europe there is a particularly striking contrast between the actually low economic development, mostly due to foreign oppression before the last war, and the great natural possibilities for an increased development. The present low development is expressed chiefly by the fact that the great majority of the population is still engaged in agriculture, although the soil and the climate do not particularly favour that occupation, and the competition of the great overseas agricultural countries has materially reduced the profits of agriculture in this part of Europe. Owing to the insufficient development of industry there was no migration of agricultural labour to the towns. This has resulted in an overcrowding of rural areas.

13. The mineral wealth of this region has only been partly exploited, the geological structure of the subsoil not being fully known. Nevertheless, the second largest coalfield in Europe is situated in that region, which produced before the present war 91 per cent. of Europe's oil, 66 per cent. of antimony, 50 per cent. of bauxite, 33 per cent. of chrome ore, 31 per cent. of lead ore, 26 per cent. of copper ore and 24 per cent. of zinc ore. A considerable proportion of the coal and ores are not transformed on the spot, but exported as raw material.

14. The one-sided, abnormal economic structure of the Central and South-Eastern European countries was responsible for the fact that their share in international trade was insignificant: the total foreign trade of the nine countries under review amounted to half of the foreign trade of Germany alone.

15. All the countries in this region, with the exception of Poland and to some extent Czechoslovakia, were economically dominated by Germany. The Reich purchased the agricultural products and raw materials produced by these countries, supplying them in exchange with manufactured goods and acting as an intermediary in the purchase of raw materials and goods of overseas origin. Germany also acted as intermediary in obtaining credits for the countries concerned—which were, however, very small. Germany exploited ruthlessly her position, forcing her clients to become purely agricultural countries, complementary to the economy of the Reich. The Western Powers looked with indifference on this situation, and did very little to develop the central region or to improve its standard of living, by increasing its purchasing power and building a new market for their export of manufactured goods.

16. The economic development of Central and South-Eastern Europe requires a basic reconstruction, comprising the liquidation of the concealed rural unemployment, by directing the surplus labour into new industries. Such a move will, on the one hand, place agriculture on a sound basis and, on the other hand, increase the national income, as the value of industrial production per person employed is considerably higher than the value of agricultural production. The result will be a general improvement of the standard of living, which will be brought nearer to the Western European level, thus reducing social shortcomings which might otherwise cause future conflicts.

17. The systematically planned economic development of Central and South-Eastern Europe should begin with the provision of basic capital equipment, in the form of roads, railways, waterways, electric power distribution, grain elevators, refrigerated warehouses, silos, oil tanks, &c. The supplying of this equipment will require an extension of various branches of industry, notably of steel production. The first stage of industrial development should provide factories using as raw material the products of agriculture (*e.g.*, canning factories) and factories producing goods for which there is a large home demand (*e.g.*, textiles, agricultural machinery, means of transport and certain tools).

18. The provision of basic equipment and the changes in the methods of farming will require the supply from abroad of many raw materials, machines and production goods, as well as of some consumption goods, in quantities greatly in excess of the initial export capacity of the region. For that reason a part of the imports necessary in the post-war period will have to be supplied on credit terms. American and British investment in the economic prosperity of that region will be actually beneficial to the United States and Great Britain, for the development of industry and agriculture in Central Europe will increase its standard of living and create new markets for export from the English-speaking countries.