

A SURVEY OF THE DRIVE FOR EUROPEAN UNION,
1947 to 1959

by

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INTRODUCTION

The European Community, consisting of the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community, is the continuation of a movement toward a United States of Europe which may be said to have begun on June 5, 1947. It was on that date that Secretary of State George C. Marshall suggested a means by which Europe might be assisted in its efforts to recover from the disaster of World War II. The program that evolved as a result of that suggestion was appropriately called the "Marshall Plan."

If the movement began with the Marshall Plan, the idea of a union of European states was even older. It was to the tenth Assembly of the League of Nations meeting in Geneva on September 5, 1929, that Aristide Briand, Prime Minister and Foreign Minister of France, proposed his plan for a United States of Europe. M. Briand saw the great need for "some kind of federal bond" between the peoples of Europe. Such a bond would make it possible for them to get into touch with each other at any time, "to confer about their interests, to agree on joint resolutions, and to establish among themselves a bond of solidarity which would enable them, if need be, to meet any grave emergency that may arise." The most urgent aspect of the problem, as M. Briand saw it, was economic, and he foresaw the association as primarily an economic one. This would not exclude political and social association. M. Briand was quite clear that his proposed federal bond should not affect the sovereignty of any member

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state. This was consistent with the concept of the League itself, which was not a supranational body, but a confederation of sovereign nations. M. Briand's plan was received by the Assembly with mixed feelings, but was never accepted seriously. About the only result of M. Briand's dream was a book written by the great French politician and statesman Edouard Herriot entitled, The United States of Europe.²

During the early part of World War II, that is in 1940-1941, Winston Churchill and other Allied leaders formulated tentative plans for post-war Europe. Their idea at that time was for a Europe united in small and large blocs. These Allied plans included a Polish-Czech Federation, a Danubian Union, and a Graeco-Yugoslav partnership. These small unions were considered by the Western Allies to be progressive and promising for the future of Europe. The admission of the Soviet Union into the councils of the Allies in June of 1941, however, brought with it a shadow over the future of Europe. The Soviet Union declared such integration of European states to be inadmissible to her, and it was dropped in the cause of Allied unity against the Axis.³

Before World War II ended, Europe's trade was at a standstill and its economy in ruins. Three nations, Belgium, the Netherlands,

1. Edouard Herriot, (R.J. Dingle, Translator), The United States of Europe, (New York: Viking Press, 1930), p. 51.

2. Loc. cit.

3. F.B. Lockhart, "Towards a United Europe?", 19th Century, CXLII (June, 1947), 12-16.

and Luxembourg, took steps to improve their economic position. Since July, 1921, the Kingdom of Belgium and the Grand Duchy of Luxembourg had been joined in a customs, railway, and consular union.⁴ During the German occupation of their countries and the consequent exile of their governments to London, the treaty for the Benelux Union was negotiated between Belgium, Luxembourg, and the Netherlands, extending to the Netherlands the commercial union then existing between the other two nations. The negotiations were begun in 1943, and concluded in 1944.⁵ This union placed 18,000,000 people within common customs barriers and allowed free interchange of goods, persons, and money across the borders of three countries.

When the war ended many of the leaders of western Europe were agreed on the general proposition that Europe must be united. To say that the proposition of European union was general is to say that statesmen in each of the several countries concerned had their own ideas of what this union should be, and they were not necessarily similar. Their ideas were vague to themselves and often incomprehensible to their international colleagues. The British talked about an association of European states similar to their own Commonwealth of Nations, and were opposed to the idea of a federal system.⁶ Coupled

4. Encyclopedia Britannica, (Chicago: Encyclopedia Britannica Inc., 1956), III, 355.

5. Serge Hurtig, "The European Common Market," International Conciliation, DXVII (March, 1958), 322.

6. W. Clark, "Towards a More Perfect Union," 20th Century CLII (September, 1952), 210-216.

to this, the United Kingdom wanted a strong system of alliances modeled after her 50-year alliance treaty with France. In this treaty, signed at Dunkerque on March 4, 1947, Britain and France pledged to each "all the military and other support . . . in its power" in the event of a "recurrence of the German menace,"⁷

Contrary to the British position, France leaned toward economic and even political union. Her emphasis on economic unity rather than a military bloc was prompted, in 1947, by her fear of antagonizing the Soviet Union, which had taken a belligerent attitude toward the nations of western Europe.⁸

One suggestion as to the divergence of British and continental ideas on the nature of European unity was that the failure of the sovereign states on the continent to protect themselves in two world wars contributed greatly to their move for federalization. This impetus was lacking in the United Kingdom because there the sovereign system not only did not break down, but was victorious.⁹ The United Kingdom was not invaded and occupied as were the continental countries. For this reason, the British still felt their strength and national pride. The differences between the United Kingdom and the continental countries became more accentuated as the unity movement developed.

It was the purpose of this thesis to survey the courses taken

7. "Union Now," Newsweek, XXXI (March 15, 1948), 30.

8. "Steps Toward a United Europe," U.S. News and World Report, XXIV (February 13, 1948), 20-21.

9. Clark, op. cit., p. 210-216.

and the progress made by this drive for European union since the conclusion of World War II. First-hand data was used when and where available, but the scarcity of such material necessitated heavy reliance on periodical literature and publications of government bureaus and information services. An effort was made to present fairly the opposing positions on controversial issues.

This thesis was not intended to be an exhaustive or inclusive work on the subject. There are many facets of the problem not touched upon, but the basic and more important elements have been reviewed. It is believed that this survey may be beneficial to those interested in the problems and institutions of the movement for the unification of Europe.

Chapter I

CO-OPERATION IN WESTERN EUROPE

THE MARSHALL PLAN AND EUROPE

On June 5, 1947, Secretary of State General George C. Marshall addressed the graduating class at Harvard University on the subject of European economic recovery. In this speech the Secretary suggested to Europe a means of recovering economic stability, but he did not put forward a plan; he suggested a means. Europe would have to plan itself how this suggestion could be utilized. The proposal was simple, and simply made: "The United States would consider assistance to those nations of Europe which would co-operate individually and collectively in a program to restore European economy."¹

The point must here be emphasized that General Marshall was not offering United States assistance to any European state that wanted or requested it. The United States would render assistance to those European nations which would co-operate in a European economic recovery program. Those nations desiring assistance would first have to assess their own resources and potentials to determine what recovery measures they could successfully undertake themselves. The United States would then be in a position to ascertain what assistance it might extend in order to complete the task of European economic recovery. The essential points of the Secretary's Harvard address which later evolved into the "Marshall Plan" are as follows:

The dislocations of European life in these years in-

1. U. S. Department of State, "Building the Peace," Publication No. 2954, European Series No. 30, (Washington: Government Printing Office, 1947), p. 1.

mediately following the war are far more serious and deep-seated than was at first assumed.

To remedy the situation requires the breaking of a vicious circle caused by a shortage of goods for exchange together with monetary deterioration and, in the Secretary's words, "restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole."

Unless Europe regains economic health and, through this, economic stability, there can be no assured peace for the world.

United States policy should be aimed, to quote the Secretary, at "the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist." But American aid in this direction in the future should not be piecemeal. It should provide a lasting cure and should not be just a stopgap alleviation of crises.

The European countries must get together on their own initiative to draft a program for mutual cooperation in helping themselves to set Europe back on its economic feet. The role of America is to give "friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so." It is recognized that European self-help is not sufficient. Outside assistance for several years must be given to overcome initial deficiencies if the European economic machine is to begin ticking again. This assistance, for the most part, can come only from the Western Hemisphere.²

General Marshall's helping hand to Europe was the subject of heated and voluminous debate, both in this country and abroad. The Union of Soviet Socialist Republics denounced the plan as another imperialist plot to extend American influence in Europe. Our own people reacted with various emotions. There were those who saw the plan only as a political give-away scheme which would be of no value or benefit to the United States. Others regarded General Marshall as a great humani-

2. Ibid., p. 2.

tarian, and his plan as a great Christian endeavor of one nation to help others in need. The view of the State Department was expressed as follows: "By taking part in a program for European recovery, the American people will not only be making a significant contribution toward the preservation of European civilization but will themselves benefit directly through increased European trade, political stability, and social progress."³

The reaction in western Europe to General Marshall's proposal was immediate and positive. The Secretary revealed his plan at Harvard on June 5, 1947. On June 12, he explained that he had in mind the entire continent of Europe west of Asia — and including both the Soviet Union and the United Kingdom. Four days later, British Foreign Secretary Ernest Bevin met in Paris with the French Foreign Minister, George Bidault, and agreed to "seek to associate the Soviet Government with their initiative in framing a reply to Mr. Marshall"⁴ Discussions began in Paris on June 27, between Mr. Bevin, M. Bidault, and Mr. M.V. Molotov. To the expressed regret of the governments of France and the United Kingdom, agreement with the Soviet Union could not be reached.

Following the failure of the meeting with the Soviet Foreign Minister, Mr. Bevin and M. Bidault, on July 3, took the initiative

3. Loc. cit.

4. U.S. Department of State, "Committee of European Economic Cooperation — General Report, Vol. I," Publication No. 2930, European Series No. 28, (Washington: Government Printing Office, 1947), p. 9.

to issue invitations to all European countries — except Spain — to meet in Paris to frame a report in reply to Secretary Marshall's proposal. In all, 16 countries accepted the bid and sent delegates to the Paris Conference which opened July 12, with Mr. Bevin as chairman. Attending countries were: United Kingdom, France, Austria, Belgium, Denmark, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey. The conference met for four days and established a committee that later was to become the Organization for European Economic Cooperation.⁵ It seems significant to observe that no European state under Soviet influence accepted the British and French invitations. There were, at first, hints that Poland and Czechoslovakia might seek to join the Marshall Plan countries,⁶ but that possibility never materialized. Switzerland, a neutral that had escaped the ravages of both world wars, joined for the expressed purpose of promoting European international co-operation. The Swiss requested no American Marshall Plan funds, nor any other aid. Finally, the Free Territory of Trieste and the western zone of Germany joined, and the United States and Canada were admitted to the organization as associate members.

The Marshall Plan was, on the surface, primarily a device for initiating and developing European economic recovery under the direction of the Economic Co-operation Administration, the Marshall Plan

5. Ibid., pp. 9-10.

6. F.B. Lockhart, "Towards a United Europe?", 19th Century, CXLII (June, 1947), 14.

developed a second objective, that of fostering European unity. Cooperation in rebuilding their devastated economies was seen as a first big step toward elimination of the ruinous nationalistic rivalry that had plagued Europe for so long.

THE ORGANIZATION FOR EUROPEAN ECONOMIC CO-OPERATION
AND THE EUROPEAN PAYMENTS UNION

The formal Organization for European Economic Co-operation (O.E.E.C.) was created on April 16, 1948, by the Convention for European Economic Co-operation on the initiative taken by France and the United Kingdom. Its structure will be described only briefly, since later organizations will have a more direct bearing on the main theme of this study.

The O.E.E.C. maintains a permanent headquarters in Paris with a full-time Secretariat (consisting of some 600 persons in 1958) under the direction of a Secretary-General. Its operations are performed through a series of committees having to do with both broad general subjects and with particular industries and agriculture. The activities of the organization are supervised by its Council, a body on which all member states are represented, and which remains in continuous session in Paris. All of the member countries maintain permanent delegations in Paris to represent them and to share in the work of the organization.

It is this factor of the permanent delegates working together in a continuous Secretariat that is perhaps a most important feature of the O.E.E.C. in the field of international co-operation. It is the expressed belief of competent observers who have studied the activities of this group, that much of the success of O.E.E.C. is due to the fact that these national delegates are in constant day-to-day contact where they have been able to achieve a "concerted international approach" to the problems which confront them. This development of a European

approach to their national differences has done much to pave the way
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for further co-operative ventures.

Aside from its work in overseeing the distribution and use of Marshall Plan funds, O.E.E.C. concerned itself with fostering the increase of trade among the several member states. Besides having little or nothing to trade, the nations of Europe were hampered by lack of foreign exchange. In attempting to alleviate this situation the several countries, through the O.E.E.C., established the European Payments Union.

The European Payments Union was instituted by an Agreement signed by the G.E.E.C. powers on September 19, 1950. The diverse currencies of the various nations possessed varying degrees of convertibility. Thus it was extremely difficult for some of the nations to maintain a balance of payments between their debtors and creditors. With the Union acting as a clearing house, the member nations could more readily transfer credits earned on trade surpluses with one country to pay trade deficits with another. If Belgium, through its exports to Italy, enjoyed a surplus of Italian lire, it could apply this surplus through the E.P.U. to its deficit in pounds incurred by importing goods from Britain. This offset of Italian currency against the British pound, while difficult on a bilateral agreement basis, is readily accomplished through the payments system of the Union. The method used involves a partial payment in gold and dollars and a granting of credit or

1. Robert Marjolin, "The Organization for European Economic Co-operation and the European Payments Union," European Union, III (August, 1953), 52.

receiving of credit from E.P.U.. The granting or receiving of credit is based on exchange formulas agreed upon by the member nations. The Union was effective in largely freeing commerce, within O.E.E.C., of the harassments and restrictions resulting from lack of convertibility of currencies. The establishment of E.P.U. was a basic step toward complete and full convertibility of Western Europe's currencies.²

A second activity of O.E.E.C., which supplemented the work of the European Payments Union, was a Trade Liberalization Program undertaken "to progressively remove import quotas and licenses on trade among the European nations."³ As a result of this program, the use of restrictions such as import quotas to protect domestic industry has been considerably reduced.

The O.E.E.C. was imposed upon Europe, in substance if not in form, by the conditions of the Marshall Plan. The organization still exists and encourages co-operation among its western European member nations. Out of it have grown, however, new movements toward greater European unity, co-operation, and trade.

The year 1948, brought with it several treaties and proposals for western European unity against the threat of Soviet Communism. The United Kingdom was most insistent during this period for some kind of union of the free nations of Europe. The previous year she had concluded with France a 50-year defensive treaty. Now she sought

2. Paul G. Hoffman, The New European Market, (New York: American Committee on United Europe, 1958), p. 2.

3. Marjolin, op. cit., p. 52.

even more allies as she realized how extremely exposed she was in the event of atomic war. The Channel would not protect her as formerly, but would actually pin-point the island nation as a missile target.

There were two basic needs for unity in the year 1948. One was for economic rehabilitation, and the other was for the strength to avoid Communism which was increasing all over Europe. The first need was to be met by Marshall Plan aid and the work of O.E.E.C.. The second was given a hopeful boost by the Italian elections of that year.

Communist activity was strong all over Europe, but met with varying degrees of success. In Italy they narrowly failed to obtain great influence in the government when the Italian Socialists thurned down their bid for a Popular Front. In France, the majority of Socialists preferred de Gaulle to the Communists. Here, however, the government found itself in the middle between the Communists and de Gaulle. The Communists, who claimed the allegiance of three-fourths of the country's trade unionists, would eliminate the French middle class. De Gaulle, on the other hand, would repress the mass of trade unionists. In Britain the Laborites wanted no part of the Communists. The British saw, as the only way out of the highly undesirable situation, a Socialist-led European union -- one which would be strong enough to resist American financial and military pressure, and at the same time strong

4. K. Martin, "Basis for European Unity," New Republic, CXVIII (May 19, 1948), 14-16.

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enough to prevent Soviet penetration of western Europe.

In response to this feeling some 100 Labor and Conservative Members of Parliament signed a Declaration for Unity in May of 1948. This declaration demanded an emergency unification of western Europe under a staff of experts who would co-ordinate the social, economic, and defense needs of the union. As a long-term policy they advocated the federation of western Europe. Ultimate authority under this plan would remain with the national governments, while the daily planning would be carried on by the staff of experts. For the purpose of this federation the United Kingdom was accepted as part of Europe. The legislators felt that any dispute with the Commonwealth nations over this status could be satisfactorily settled.

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The urge for immediate collective security resulted in the Brussels Treaty of March, 1948. Britain, France, Holland, Belgium, and Luxembourg contracted a defensive alliance whereby each was committed to aid any of the five which might be attacked. The avowed objectives of the treaty were: (1) a military committee which would plan defensive strategy in the event of war with the Soviet Union, and (2) 20 fully equipped army divisions plus a tactical air force with which to defend the Rhine line -- the proposed defense line in the event of a Soviet attack.

5. Loc. cit.

6. Loc. cit.

7. "Chances for a United Europe," Business Week, (December 4, 1948), pp. 67-68.

March of the following year found the French and Italians negotiating a customs union treaty. There was much press activity concerning this pact which was signed by the ministers but failed of ratification in the French National Assembly. In fact there was so much agitation and opposition in France that the bill for ratification never got out of committee for Assembly action. French employers feared Italian competition in similar goods, while French labor unions⁸ feared the migration of unemployed Italians to France.

8. W. H. Carter, "European Union," 19th Century, CXLVII (April, 1950), 228-234.

THE COUNCIL OF EUROPE

The Council of Europe was the next co-operative venture, being established in August of 1949. At its inception the Council was widely acclaimed as the big step toward the desired unity. Fifteen nations signed the treaty of membership in the Council of Europe: Belgium, France, German Federal Republic, Italy, Luxembourg, Netherlands, Denmark, Greece, Iceland, Ireland, Norway, Sweden, Turkey, United Kingdom. The Saar became an associate member, and later Austria joined. The purpose was to advise on measures to bring about the economic and political union of Europe. The Council had no enforcement powers, but relied on member governments to effectuate its recommendations. The structure of the Council included a Committee of Ministers which drew up agendas for the Assembly and made recommendations to participating governments, and a Consultative Assembly which could debate and recommend. Members of the Committee are ministers from the participating governments. The members of the Consultative Assembly are chosen by the parliaments of the member states. The Council of Europe is important, not for the high hopes which accompanied its founding, but for the positive movements toward union which sprang from it.

Events moved swiftly in 1949. No sooner had the Council of Europe been made an accomplished fact, than Mr. Paul G. Hoffman, Economic Co-operation Administrator, was calling for more progress

L. "European Coal and Steel Community," Senior Scholastic, LXI (November 5, 1952), 14.

toward economic integration. Mr. Hoffman advocated "that European Marshall Plan countries produce by January 15, [1950] a scheme to 'integrate' their economies, in order to form a single market of regional scope."² But there were many obstacles in the path of European unity in the latter part of 1949. First, German development was held in check by the political-economic restraints imposed by the occupying powers. No realistic economic development of Europe was possible without the active and full participation of West Germany, which had accounted for such a large portion of intra-European trade prior to World War II. Second, there was a noticeable lack of encouragement of the West to trade with the countries of eastern Europe. Obviously, any unity of Europe, economic or political, would be incomplete so long as the eastern states refused or were restrained from participating. Finally, there was the understandable and justifiable reluctance of the United States to integrate its economy more closely with those of the Marshall Plan countries.³

As the year 1949 closed, still more moves were made in the direction of European solidarity as Britain joined with her Scandinavian friends -- Denmark, Norway, and Sweden -- to explore possibilities "for closer co-operation among the four countries in the financial field and for arrangements to increase the exchange of goods."⁴

2. Paul G. Hoffman, quoted by B. Bolles, "Western European Unity No Panacea for Economic Ills," Foreign Policy Bulletin, XXIX (November 11, 1949), 1-2.

3. Loc. cit.

4. H. M. Lange, "European Union: False Hopes and Realities," Foreign Affairs Bulletin, XXVIII (April, 1950), 441-450.

Chapter II

THE NEW COMMUNITY

THE SCHUMAN PLAN AND FEDERAL UNION

The London Ministers' Conference of May, 1950, provided a stage for an initial discussion of what has been called "the most dramatic proposal since the war...."¹ It was at this meeting that Robert Schuman, the French Foreign Minister, first disclosed the plan which was to bear his name.

The plan proposed by M. Schuman -- it was conceived and formulated by Jean Monnet -- was frankly political in its broad objectives, although economic on its face. MM. Monnet and Schuman proposed a common market, limited to the basic elements of coal and steel, between France and Germany, and open to any other European country willing to subscribe to the treaty provisions. Coal and steel production and marketing in the affected countries would be controlled by a High Authority which would be responsible to a parliamentary assembly and subject to a court of justice. The national governments involved would relinquish their right of control over these industries within their respective boundaries to the supranational High Authority, over which they could reserve no veto. "The purpose of the Schuman Plan was primarily political. It was designed to effect a Franco-German reconciliation by pooling a vital sector of their economies."²

Robert Schuman was a capable diplomat and of sufficient skill to bring such a novel proposal to successful culmination in a signed

1. Percy Winner, "Europe and the Schuman Plan," New Republic, CXLIII (July 10, 1950), 11.

2. Hurtig, op. cit., p. 324.

and ratified treaty. This was far from an easy task with an obstacle as formidable as the French National Assembly in his path. This great law-making body had a wide reputation for its unpredictable habit of overthrowing governments with which it disagreed. But as events unfolded, it was not the French Assembly that erected the obstacle, it was the negative attitude of the United Kingdom.

When M. Schuman broached his idea of a coal and steel pool before the world at the London Conference, it was immediately accepted by Dr. Konrad Adenauer. The United States gave its complete and enthusiastic approval through Dean Acheson, Secretary of State. The British government, on the other hand, was cold to the proposal. It has been suggested by Michael de la Bedoyere, editor of the London Catholic Herald, that the chief reason for Britain's failure to rise to the occasion was the illness of her Foreign Secretary, Ernest Bevin. Mr. Bevin was completely out of the picture at this conference, leaving the Minister of State Kenneth Younger to act in his stead. "One has to realize that Mr. Attlee, the Prime Minister is temperamentally the last man in the world to rise to an imaginative occasion Whether Ernie Bevin, had he been fit, would have risen to the occasion is of course another matter, but in the circumstances it would be idle to pursue the speculation. The unfortunate fact was that he was absent, and no one could act decisively and quickly for him except the Prime Minister, a man temperamentally incapable of doing so."³

3. Michael de la Bedoyere, "From My Window on Fleet Street," The Catholic World, CLXVI (August, 1950), 383.

British prejudice against the Schuman-Monnet Plan built up from two basic sources. First there was the traditional British resentment at any foreigner meddling in British affairs. This might be classed as Tory sentiment. Of course one must realize that Britain was the leading nation of the world until the ascendancy of America in World War II. Britain had been the hub of an empire and had imposed her will, however benevolent, on other countries. Now the Englishman foresaw in the coal and steel pool Frenchmen and Germans interfering in what had been strictly British business. They did not fancy this turning of the tables.

The Tories saw an additional danger in M. Schuman's proposal. The British tradition of world leadership was, in a sense, a Protestant and individualistic tradition — one that was inherently opposed to both Catholic and Socialist internationalism. The Schuman Plan was suspected of having traces of both. Hence, the Tory balked.

The Labor Party took a different slant. Their concept of Socialist internationalism shows a strong nationalistic flavor. "The famous Party pamphlet, European Unity, whose publication was so very unfortunately timed, pretty well amounts to saying that the British Labor Party will only be interested in United Europe when a United Europe is content to be run by the British Labor Party."⁴

The Socialist executives in their pamphlet, European Unity, expressed also the fear that the proposed unity movement on the Continent would evolve into a neutralist bloc between the United States

4. Ibid., p. 384.

and the Soviet Union.

The net result of the combination of Right Tory nationalist prejudice and Left Socialist or Labor national prejudice must always mean that this country, Britain, whatever it may say and in a way wish, must always dig in its heels when it comes to the critical point in any scheme of European unity — the point where there is any serious question of English traditions and English ways coming under a measure of non-English control. The Englishman is prepared to go a very long way, indeed much farther than most other people, in changing his views; but however far he may go, he insists on remaining responsible for his own views and, if possible, assuming responsibility for the views of others.⁵

Mr. Churchill, long an advocate of European unity, had this to say:

"The question . . . is whether British reluctance to assert herself within a movement towards European unity will not bring about just this very danger of a neutral geographical bloc, and whether we, by standing out, may not become responsible for bringing about the very situation the Socialist executives in their pamphlet so rightly fear." But he added, "The unity of France and Germany, whether direct or in a larger Continental grouping, is a merciful and glorious forward step towards the revival of Europe and the peace of the world."⁶

There were mixed reactions in the Continental countries to be sure, but in six the reaction was strong and positive. The proposal itself had come from France and the French Cabinet had given its approval. In his press conference following the Cabinet action M. Schuman had these things to say: "France has acted essentially for peace. If peace is to have a chance, there must first of all be a Europe. . . ."

5. Ibid., p. 385.

6. Winston Churchill, as quoted in William Diebold, Jr., "Imponderables of the Schuman Plan," Foreign Affairs, (October, 1950), 114-129.

Out of all this will emerge a sound, united and strongly constructed Europe. . . ."⁷ M. Schuman emphasized his belief that Europe would not be united in one stroke or by the means of one structure. He felt that the proper procedure involved relatively small, but positive and concrete steps that would insure real solidarity. The major factor in any plan for European unity must be the elimination of the traditional antagonism between France and Germany. This was the objective⁸ of the French government's action.

The Executive Committee of the French Socialist Party promulgated a resolution in which they listed four conditions which they deemed requisite to the success of the Schuman Plan. These conditions were as follows: First, negotiations on the plan should include a number of countries and not just France and Germany. Second, the High Authority called for in the Plan should have the power to impose its decisions on all participating parties. Third, the members of this High Authority should be persons with no past or present financial connection with the coal or steel industries. Finally, the High Authority must be made responsible to a supranational political authority emanating from the Council of Europe and possessing limited⁹ but real powers. Thus it can be seen from this emphasis on the High Authority that the French were in earnest about setting up a supranational body.

7. Robert Schuman, "Franco-German Coal and Steel Pool," Vital Speeches of the Day, XVI (June, 1950), 482.

8. Loc. cit.

9. Diebold, loc. cit.

When M. Schuman proposed his pool plan at the London Minister's Conference in May, 1950, it was worded to include, basically, France and Germany. Dr. Adenauer, speaking for Germany, accepted at once the French overture. For the Germans, the French offer was highly acceptable, in spite of the recentness of the war between them. It has been said that the ordinary German of 1950 was eager to be a good European again, on equal terms. This may or may not be true. The fact remains that in 1950, the Schuman Plan was Germany's only visible hope of regaining status in the world. She had been subjected to almost unbelievable destruction during the war. Her heavy industries were practically non-existent. Many factories and mills that had escaped the ravages of war were later lost to the Germans through forced reparations. The Soviets wanted the entire Ruhr District dismantled and much of it was, with whole factories being shipped to the Soviet Union.

Besides suffering the loss of large amounts of capital goods, Germany was still partitioned and occupied. Dr. Adenauer could see no promise of reconciliation of the Western and Eastern zones under the circumstances then existing. The fear was ever present of Soviet success in gaining influence and control over all of Germany. This had to be avoided. The problem was, how? The two world wars and the role of Germany in each was decidedly against her, should she attempt to regain world status. Unification with France, and any other European nation so inclined, offered to defeated and crushed Germany a

10. F. Vanderschmidt, "Newsweek Looks Over Schuman Plan Areas," Newsweek, XXVI (July 3, 1950), 29-31.

means of obtaining once again a place of world prominence. Germany saw in this plan her first real chance since the war of reaching equality with her victors; she took that chance. In 1950, the Ruhr district was rapidly recovering from the destruction of the late war, and steel production was already at the maximum limit of 11,000,000 tons per year imposed by the occupying powers. Facilities were such that this production could quickly rise to 14,000,000 tons. All Germany needed was the opportunity. The Schuman Plan promised to give this opportunity.

To say that Germany's sole motive in accepting the coal and steel pool was national aggrandizement does her an injustice. It has already been noted that many Germans were eager to be good Europeans again on equal terms with Frenchmen and others. Germans as well as Frenchmen were weary of war and desirous of living in peace with their former enemies. There has been speculation about the forces underlying the actions of Dr. Adenauer. Konrad Adenauer is a staunch Roman Catholic, and much comment has been made as to the possible influence of the Vatican over his conduct of Germany's affairs.

The Belgians see in the coal and steel pool the prospect of normalizing their production costs which have been slowly isolating them from their European neighbors. Belgian wages were high and social-security safeguards were rigid. The resulting high costs of living and production were causing the isolation from neighboring states which they feared. They were most interested in the integration envisaged by the Schuman plan.

11. Loc. cit.

In 1950, the Belgians exported some 60% of their steel production of 4,000,000 tons. They feared a steel surplus. Their steel was high in price, partly due to high wages, and partly due to the artificially high price of coal. Belgian mines were in some cases highly inefficient, but the price was held high by government action. Belgian mills were required to purchase the high-cost Belgian coal instead of importing from Germany or other low-cost production areas. The Belgians believed the coal and steel pool would help them out of their cost-price dilemma. This they earnestly desired -- even though it would mean closing some of the inefficient mines. They will depend on a relief provision of the plan to help the displaced workers re-locate or re-adjust to other work.¹²

The Dutch welcomed the Schuman Plan primarily for the expanded market it promised. The Dutch were a trading people and welcomed the occasion to enter new markets. "The Dutch are not afraid of competition. They believe they can make anything as efficiently as anyone else."¹³ They were also strong believers of free trade, and the Schuman Plan offered just that among the member countries in the coal and steel pool.

The Netherlands saw other advantages to them in joining the Schuman Plan countries. For decades the Dutch carried on large trade with their colonial empire in the East Indies. These possessions were also useful in absorbing the overflow population of the homeland. Holland

12. Loc. cit.

13. Loc. cit.

had the highest birth-rate in Europe, with the population expanding at the pace of 150,000 persons each year. Having lost the Indies to the independence movement, the Dutch were avidly seeking new outlets for their goods and increasing people. They saw the coal and steel pool as a partial solution to this need by opening up new markets for their goods, and new areas for emigration.

The Schuman Plan is admittedly a gamble for the tiny state of Luxembourg, "for the duchy literally exists on steel and has no other important industry."¹⁴ For this reason Luxembourg is highly sensitive to a steel surplus and, like Belgium, hopes the coal and steel pool will stabilize her economy.

Italy, in agreeing to the principles of the Schuman Plan was largely following the lead of France and Germany, but Italy had problems which she sought to pool -- as well as her coal and steel. Italy had a large Communist party and in view of this the government wanted closer ties with stronger nations. Also, Italy had a tremendous problem of unemployment in the country south of Rome. Most of the nation's industry was concentrated in the northern sections, leaving only agriculture and a large population in the south.

A tremendous boost to the Schuman Plan with strong effects in both France and Italy, came from the influence of the Vatican. There had been undercurrents of discontent in Europe for some time with the effects of American foreign policy on the Continent. To the Europeans, and to many Americans, the United States government seemed bent on a

14. Loc. cit.

policy of winning a coming inevitable war with the Soviets. The American policy had been one of "keeping European economic realities and Atlantic military strategy in separate compartments, and of consistently subordinating the one to the other."¹⁵ This the Europeans saw as annulling the chance for peace if not actually increasing the chances of war. The Vatican had seen in American policy psychological warfare against the European's belief in the possibility of maintaining peace, and for this reason began to act separately and independently in European politics, while it had previously followed the American lead.¹⁶ Neutralism was spreading in Europe and the Vatican believed the time had come for concerted European action. The Schuman Plan was that action. This is not to say that the Schuman Plan was a Vatican invention, but it was actively supported by the Holy See. Percy Winner describes the Vatican's attitude thusly:

This force [in favor of the Schuman Plan] is the Secretariat of State of the Vatican, or rather those elements in the Vatican who, while profoundly anti-Soviet, perhaps even more so than the Americans, reached the double conclusion that continuation of the threat of world war would seriously hurt the chances of success of the Vatican's policy of forming a 'Christian Europe' and that American policy was having the effect of increasing the European's fear of war. Politically, the direction in which the plan points is precisely the 'Christian Europe' which the Vatican wants -- a right-wing, conservative, anti-Socialist, though not necessarily reactionary, combination of states run by such faithful sons of Rome as Adenauer and such friends of Rome as Schuman.¹⁷

15. Winner, loc. cit.

16. Percy Winner, "Outside America," New Republic, CXXIII (August 28, 1950), 9.

17. Ibid., p. 12.

While the leaders of the prospective member countries of the coal and steel pool were debating and considering, the people directly connected with the coal and steel industries were raising their objections. They had their own fears of the results of M. Schuman's unique program. To begin with, the European industrialists feared more socialism due to the placing of the coal and steel industries under a government-sponsored bureaucracy. The Socialists, on the other hand, feared the pool would bring about denationalization and thus give a boost to European capitalism. Employers in general feared the pool would weaken their bargaining power with labor. Labor feared the pool would create unemployment, close down marginal industries, and lower wages because of invasions of unemployed workers from other pool countries.¹⁸

In the United States, steelmen feared the pool would actually be a super cartel which would practice ruthless dumping practices in the world markets. In Europe, steelmen feared the pool would allow them to be dominated by American capital. Even some United States government leaders feared the pool. Their fear was that it was nothing but a neutralist scheme. In addition to these varied fears by different interests, the Communists offered their own. They branded Schuman's pool as a "U.S. imperialist device to wage war on peace-loving Russia."¹⁹

Perhaps it would be beneficial at this point, after listing all the fears and speculations concerning the coal and steel pool, to

18. "Western Europe OK's Schuman Plan Draft," Business Week, December 2, 1950, pp. 117-118/.

19. Loc. cit.

re-examine the aims and proposed advantages of the plan. As has been pointed out previously, the Schuman Plan was designed for and aimed primarily at France and Germany. The original aims were as follows:

1. To make another war between France and Germany impossible.
2. To prevent the rearmament of Germany either on a national or international basis.
3. To permit dove-tailing of the basic industries of the two countries for the benefit of consumers and producers.
4. To point the way toward the real unity of Europe based not upon treaties or documents but upon the work and physical resources of Europeans.²⁰

The proposed advantages which may be listed are those which directly concerned France and the West. It is quite noticeable that they are not the points considered by the other European nations involved.

1. It gives France a direct say in the production plans of the Ruhr, and thus firsthand knowledge of any future German war production.
2. It guarantees France against the Germans' going back to pre-war dumping tactics.
3. It provides against the trade war in steel and coal which is already [May, 1950] threatening.
4. It gives France access to Ruhr coal at the same price the Germans pay.
5. It pulls West Germany back into Western Europe on an equal footing, and thus offers great political advantages to the West in the cold war.²¹

Events related to the Schuman Plan progressed through 1950, amid

20. Harold Callender, "Architect of the Coal-Steel Pool," New York Times Magazine, June 11, 1950, p. 15f.

21. "What Coal-Steel Pool Means," Business Week, May 20, 1950, pp. 133-134.

a multitude of conferences, meetings, and debates. The promoters of the scheme made proposals, retracted them, stood firm, and compromised until an acceptable treaty was finally hammered out and signed by six nations in April of 1951. From that point the unification movement advanced with ever-increasing rapidity. The six nations to sign the coal and steel pooling treaty were France, Germany, Italy, and the Benelux trio — Belgium, Luxembourg, and The Netherlands. The movement had appeal and generated much enthusiasm.

The United Kingdom had a considerable interest in this merger of basic industry. The British were the major coal and steel producers of Europe, but with the six continental nations pooling their production, they would outstrip Britain in both products. The English offered to negotiate, simply because they could not afford to be excluded from this new and huge market. France wanted the British in the pool, if for no other reason than to act as a check and balance on Germany. The Germans were rebuilding at a fantastic rate, and their mills and factories were modern and efficient. France's were, for the most part, old and obsolete. The French feared being overwhelmed by an exploding German economy. They wanted the British in the pool as a stabilizing agent.

As much as France wanted the United Kingdom in, she could not place the ultimate objectives of the pool in jeopardy by allowing concessions contrary to the interests of ultimate European unity. So the French insisted that the British, before entering into negotiations, should accept the fundamental objectives to be reached, namely,

pooling of coal and steel production, and the institution of a new higher authority whose decisions would be binding on the signatory national governments. This the British refused to do. "Britain rejected the Plan because they knew it meant international control; they also rejected it because they didn't know what it meant."²²

Thus, the British did not participate in the negotiations that resulted in the pool treaty, and the European Coal and Steel Community came into being in April of 1952 without the participation of the United Kingdom.

The Eden Plan was the United Kingdom's next attempt to associate herself with the Community without becoming a member. Mr. Eden proposed in March, 1952, that the British and their Scandinavian friends maintain close association with the Coal and Steel Community. This was to be accomplished by some sort of integration of the two groups into the framework of the Council of Europe. There were many advocates of this plan including the French Socialist leader Guy Mollet. In answer to charges that Mr. Eden wished to undermine the union movement, British Parliamentary Undersecretary Anthony Nutting stated his government's purpose as follows: "Our sole and sincere desire is to lend our experience and to pledge our endeavors to promote the unity of the European Continent." He added that the British had no desire to "retard or dilute the approach of the six to a closer federal association."²³ Mr. Eden did not succeed in obtaining the close

22. Diebold, loc. cit.

23. Anthony Nutting, quoted by Alsada Comstock, "Great Britain: An Island View," Current History, XXIV (January, 1953), 83.

ties between E.C.S.C. and the Council of Europe that he would have liked, but a measure of co-operation was attained through the medium of diplomatic relations between the High Authority and the non-member governments.

INSTITUTIONS OF THE COAL AND STEEL COMMUNITY

The treaty establishing the European Coal and Steel Community provides for four basic bodies, a High Authority or executive organ, a Council of Ministers to speak for their respective national governments, a Common Assembly to hear and debate reports of the High Authority, and finally a Court of Justice to define and rule on the provisions of the treaty.

The High Authority of E.C.S.C. is composed of nine members, all with Cabinet rank, that is, of equivalent rank with members of national cabinets. Eight of them are chosen by unanimous agreement of the member governments, two each being proposed by France and Germany, and one each by the remaining four participants. The ninth member is chosen by the first eight. Obviously each government, in selecting its candidate or candidates, must choose persons acceptable to the other participating governments. The ninth member is, by an unwritten commitment, a labor spokesman nominated by the International Confederation of Free Trade Unions and the International Federation of Christian Trade Unions. The members must be nationals of the participating countries, but may not be government representatives.¹

The treaty creating E.C.S.C. places the burden of governing the coal and steel industries within the pool on the shoulders of the High Authority. These nine men are charged with carrying out their duties in the interest of the Community as a whole. They must not

1. William Diebold, Jr., "Where is the Schuman Plan Heading?", European Union, III (August, 1953), 11.

act from motives of national advantage. In the words of Jean Monnet, first President of the High Authority, the principles of independence are expressed as follows: "We are a sovereign body operating on a higher level than its member states. We shall take orders from no government or other institution. Those working with me have pledged to put our common interests above those of the countries from which we hail."²

The interests of the national governments have not been disregarded by the E.C.S.C. treaty. There is a provision for a Council of Ministers of a type so familiar in European diplomatic negotiations. The Council members will speak for their respective governments, and the Council, as a body, will seek to harmonize the actions of the High Authority with those of their governments. "The Council is expected to work closely with the High Authority and on many matters the High Authority may act only after conferring with the Council. There are also a number of issues on which the High Authority may act only with the concurrence of the Council. Some of these are cases where the High Authority would be stepping outside the area covered by the Common Market, strictly defined; for instance, the Council must agree before the High Authority can help to train technologically unemployed workers for occupations outside the coal and steel industries."³ In most cases this concurrence requires only a majority vote, provided

2. Jean Monnet, quoted by George W. Herald, in "The Founding Fathers of Europe," United Nations World, VII (February, 1953), 19.

3. Diebold, "Where is the Schuman Plan Heading?", loc. cit.

either France or Germany votes on the majority side. A tie vote would be resolved in favor of the proposal supported by both France and Germany. In some situations a unanimous Council can override a High Authority decision. These provisions were considered necessary not only to protect valid national interests, but also to placate those politicians whose suspicions of the whole plan were fed by traditional European nationalism.

Even though the Council could in some limited circumstances veto the decisions of the High Authority, it had no power to impress its wishes or views on the executive body. This brings us to the third organ provided by the treaty, the Common Assembly -- the parliament of the Coal and Steel Community. This Assembly is made up of delegations from the member states in the following ratio: France 18, Germany 18, Italy 18, Belgium 10, Netherlands 10, and Luxembourg 4. These delegations are presently appointed by the several national governments, but the treaty provides for their eventual popular election.

The Common Assembly is the body to which the High Authority is responsible, and to which it presents annual reports of the preceding year's activities and decisions. The reports are debated and, if found unsatisfactory, the Assembly may, by a two-thirds vote, force the High Authority members to resign. This is a familiar facet of many European governments. There is a significant difference, however, between the French National Assembly, for example, and the Common Assembly of the Coal and Steel Community. The French National Assembly

may, by appropriate action, unseat the current government at any time. This has been a frequent occurrence since the end of World War II. Conversely, the Common Assembly of the Community has only one opportunity a year to attempt to unseat an unpopular or undesirable High Authority. This feature gives the High Authority considerable latitude in its actions during any one year. It is formally subject to the censure of the Common Assembly only when reports are made. According to Mr. Diebold, the Assembly may well go beyond this constitutional duty in influencing the work of the Community. He sees the Assembly as playing a much more active part through its various committees; which gather data, advise the Assembly and the High Authority, and act as indicators of the wishes of various interests.⁴

The Coal and Steel Community's Court of Justice is composed of seven judges, chosen in much the same manner as the members of the High Authority. Each member government of the Community nominates one person who must be acceptable to the other governments; the choice is therefore unanimous. The six judges thus selected choose the seventh judge.

The Court of Justice has the duty and responsibility of interpreting the laws of the Community as contained in the treaty. It is to this court that industries, unions, and governments may go to seek redress from actions of the High Authority. The Court of Justice is the Court of last resort; there is no appeal from its decisions. Moreover, the civil courts of the member nations are bound by solemn

4. Ibid., p. 12.

treaty to uphold and enforce within their jurisdictions the decrees of the Court of Justice. The Court of Justice is vested not only with the power of review but also with "special responsibility" to intervene, "should the functioning of the Common Market provoke fundamental and persistent disturbances in the economy of one of the member states."⁵

5. Article 37, Draft Treaty, quoted by Frederick Sethur, in "The Schuman Plan and Ruhr Coal," Political Science Quarterly, LXVII (December, 1952), 514. An English translation of the treaty is not available.

IMPLEMENTATION AND RESULTS OF THE COAL AND STEEL POOL

Robert Schuman believed that pooling of coal and steel production between France and Germany would insure the establishment of common bases of economic development which would constitute the first stage in European federation. Pooling of basic industries came first; then expansion of the pool or market to other commodities. A common military force was to follow, and finally political union. The new High Authority of the Coal and Steel Community would be necessary to ensure that pool action would be directed toward the collective good and not for the special benefit of one member at the expense of the others.¹

M. Schuman was realist enough to know that differences in production between countries would require a period of transition. The rationalization of production within the pool area would require the establishment of price equalization mechanisms, the application of a plan for production and investment, and the creation of a reconversion fund to aid factories with obsolete machinery and equipment.² These were transitional measures, which would help ease the shock of introducing the pool in place of the previously protected national markets and conditions.³ Customs duties between pool countries would not be

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1. Robert Schuman, "Franco-German Coal and Steel Pool," Vital Speeches of the Day, XVI (June 1, 1950), 482.
 2. Rational production is that which can operate economically, free from artificial protection such as governmental subsidies, et cetera.
 3. Ibid., p. 483.

gradually reduced over the transitional period, but would be immediately abolished. At the same time railway freight rates, which in the past had been discriminatory, would be equalized straightway. This had long been a point of dissatisfaction to the French, who invariably had to pay more for Ruhr coal and coke than did German mills which were equally distant from the coal fields. These are some of the problems with which the executive High Authority will have to deal.

In order to make the pool work for the good of the Community and its members the High Authority was given certain powers in regard to production and the industries themselves. If the High Authority believes it necessary, it may fix minimum and maximum prices, fix production quotas in time of surplus, and apportion the output among the states in time of shortage. If a producer should ignore an order from the High Authority he may be fined for each day of the violation.⁴ Moreover, the fine can be imposed through the civil courts of the nation in which the violation occurred.

Such an institution as the European Coal and Steel Community with its High Authority, Common Assembly, Council of Ministers, Court of Justice, and numerous committees naturally needs a source of income. The several hundred secretariat workers must be paid as well as the expenses of the officials. The High Authority handles the Community's finances. Unlike the United Nations organization which is financed by contributions of the member states, the High Authority has taxing powers. It currently levies a tax of one per cent on the output of

4. Sethur, op. cit., p. 519.

the industries it supervises. This power to tax is one more bit of evidence as to the supranational character of the High Authority.

By August, 1952, the Community had come into being and the executive offices of the High Authority were set up in Luxembourg. The United States and the United Kingdom lost no time in accrediting permanent delegations to the High Authority. The British Crown appointed Sir Cecil Weir a full-fledged ambassador to the Community with letters of accreditation beginning with the words "Your Excellency," an address usually reserved only for heads of state. In this manner the independence and authority of the Community were recognized.⁵

What have been the results of M. Schuman's "first stage" in the unification of Europe? As announced by M. Schuman as one of the first objectives of his plan, virtually all trade barriers to coal and steel within the Community have been abolished. The High Authority has uncovered and eliminated many hidden restrictions such as discriminatory freight rates and subsidies. Increased competition naturally forced hardship on some of the producers. To alleviate the effects of this, assistance has been given to both firms and employees in adapting to the new conditions. Anti-trust action under the treaty has been taken against cartels, which had in many cases stifled European production between the two world wars. Finally, the new pool promoted the expansion of efficient production. In the words of Paul G. Hoffman in 1958: "The results have been remarkable."⁶ Record increases

5. Herald, op. cit., p. 20.

6. Hoffman, op. cit., p. 2.

of production can, in part, be attributed to the general economic upsurge, but the amazing increase in the coal and steel trade of 93% between 1952 and 1955, compared to a 59% increase for other products, must be ascribed to the efforts of the Coal and Steel Community. Again Mr. Hoffman says: "The Schuman Plan has provided a working demonstration of the benefits of an integrated mass market for heavy industry."⁷

7. Hoffman, loc. cit.

THE EUROPEAN DEFENSE COMMUNITY

The talks on European unity which took place in western Europe subsequent to M. Schuman's proposal in 1950, had reduced the public antagonism towards some kind of federation of West Europe. This is not to say that the movement enjoyed much public enthusiasm, but a man who professed to be in favor of such unity was no longer ridiculed or held to be a traitor or crank. Government leaders such as Germany's Adenauer, Belgium's Spaak, France's Schuman, and the Coal and Steel Community's President Jean Monnet were actively and unequivocally in favor of immediate moves toward federal union of the Schuman Plan countries.

It was in this atmosphere of goodwill and high aspiration that the European Defense Community was proposed. The origin of the idea was French, as was that of the Coal and Steel Community. It received strong American support for, although the origin was French, the impetus was American. The American Secretary of State had proclaimed the necessity of rearming Western Germany as a bolster to the defense of "Free Europe." German divisions were considered needed in view of the war-like attitude assumed by the Soviet Union. France recognized the need of German troops in the defense of western Europe and, in view of her aversion to a rearmed Germany, offered the Pleven Plan which eventually developed into the European Defense Community Treaty. The French believed this plan would prevent the re-creation of a German national army and its notorious general staff, limit the number of German troops, and prevent Western Germany from producing atomic

and heavy war material.

The plan for the Defense Community was produced quickly and made use of the existing structure of the Coal and Steel Community. Like its predecessor, the European Defense Community was to have four governing organs: an Assembly, a Commissariat, a Council of Ministers, and a Court of Justice. The Assembly was to be that of the Coal and Steel Community after adding three members each to the delegations from France, Germany, and Italy. The Commissariat was the executive organ and was composed of nine members chosen unanimously by the member governments. The members of the Commissariat were to be chosen on their own merit as individuals. The Council of Ministers and the Court of Justice were to be common with those of the Coal and Steel Community.

The European Defense Community was not set up to be a permanent organization. It was realized by the framers and negotiators that a joint federal-type army as conceived by the treaty could long exist only in a federal political framework. The treaty provided for the elimination of national armies and the prohibition of armament production or purchase except by license granted by the Commissariat. Member countries would provide troop contingents to the European Defense Forces who would wear a common uniform, be subject to uniform training and discipline, have uniform equipment, and be subject to orders from European officers of varying nationality. Members of the Defense Forces would take an oath of loyalty to the Community and obedience to its laws and regulations.

THE EUROPEAN POLITICAL COMMUNITY

The framers of the treaty foresaw that the next logical step in view of the Defense Community Treaty was some kind of political community under a federal constitution. The European Defense Community Treaty was signed by the six Schuman Plan nations on May 27, 1952. No sooner had this treaty been signed than the Consultative Assembly of the Council of Europe declared in its Resolution 14 that it would be "of great advantage if the basic principles of a European supra-national political authority and the nature and limits of its powers were defined within the next few months, without waiting for the entry into force of the Treaty instituting the European Defense Community."¹ The Consultative Assembly called on the governments concerned to take speedy action. On September 10, 1952, the six Ministers for Foreign Affairs for the member governments of the European Coal and Steel Community met in Luxembourg and decided to request the Common Assembly to undertake the job of formulating a Constitution for a² European Political Community.

Three days later in Strasbourg the Common Assembly accepted the task and formed an ad hoc assembly with Belgium's Paul-Henri Spaak as president. A Constitutional Committee was named, chaired by

1. European Coal and Steel Community, Ad Hoc Assembly, Constitutional Committee, Draft Treaty Containing the Statute of the European Political Community and Information and Official Documents of the Constitutional Committee, (Paris: Secretariat of the Constitutional Committee, 1953), p. 10.

2. Loc. cit.

Germany's M. Von Brentano. On March 9, 1953, at a formal session held in the House of Europe at Strasbourg, M. Spaak officially delivered a draft treaty for a European Political Community to the Foreign Ministers of the six Defense Community nations.³

In view of subsequent events it is unnecessary to delve too deeply into the draft treaty for the European Political Community for it is now a dormant issue. A brief look, however, at the institutions envisaged by the draft is in order. The draft treaty provided for five institutions, namely: a Parliament, an Executive Council, a Council of National Ministers, a Court of Justice, and an Economic and Social Council.

The Parliament would consist of two houses with nearly equal powers. The upper house, called the Senate, would be elected by the several national parliaments, while the lower house, called the People's Chamber, would be chosen by popular election. Representation in both houses, however, was based upon a weighted formula which gave equality to France, Germany, and Italy on one level; Belgium and the Netherlands on another level; and a lesser special vote for Luxembourg. France had an advantage in the lower house where it had additional votes⁴ for its overseas territories.

The Executive Council consisted of a president elected by the Senate and additional ministers appointed by the President, no more than two of whom could be of the same nationality. The Executive

3. Ibid., pp. 10-18.

4. Ibid., Art. 10-26.

Council conducted the business of government, but could be overthrown by either the Chamber or the Senate. The Chamber could force resignation of the President and his Council by either a three-fifths vote of no confidence or a refusal of a vote of confidence, when adopted by three-fifths of its members. The Senate had the simpler procedure; it merely elected a new President, which action automatically deposed the incumbent and his Council. The Executive Council's somewhat unstable position clearly resembled the weak executive of the French Fourth Republic.⁵

The Council of National Ministers was identical in composition to the councils of the Coal-Steel and Defense Communities, and would take over their duties and functions. In addition, the new Council had important duties in relation to acts of Parliament and the Executive Council. In some cases the Council had a veto over the Executive; in others concurrence was required and often that concurrence had to be unanimous vote of the Council.⁶

The Court of Justice would absorb the court of the Coal-Steel and Defense Communities and would have exclusive jurisdiction in disputes between states or between a state and the Community as to the interpretation of the treaty. The Court of Justice would not hear appeals from decisions of state courts, even on federal questions.⁷

The Economic and Social Council had the duty of assisting and

5. Ibid., Art. 27-34.

6. Ibid., Art. 35-37.

7. Ibid., Art. 38-49.

advising the European Executive Council and Parliament. The composition of this council, its competence, and its modus operandi were to be established by legislation.⁸

The draft treaty for the European Political Community provided for the absorption by the Community of its two predecessors, the Coal-Steel and the Defense Community organisations. The Coal and Steel Community would be taken over during a two-year transition. After this, provision was made for the Executive Council to take steps to expand the common market for coal and steel to a general common Market among the six member nations.

The drafters encountered many problems, among which were the Community's relation to other Council of Europe nations -- especially the United Kingdom -- the problem of German reunification, and, more immediate, the problem of the Saar.

8. Ibid., Art. 50-51.

THE SAAR PROBLEM

The Saarland covers little more than 2500 square kilometers of land along both banks of the Saar River. Its population of 800,000 makes it one of the most densely inhabited areas of Europe. The Saar's greatest asset is its coal, well over thirty billion tons of it. Mining is naturally the Saar's primary industry with steel production second. Having no iron ore of their own, the Saarlanders depend on ore from Lorraine.

The little patch of land has been the source of dispute for generations. It was prominent in the campaigns of Louis XIV, Napoleon, and Napoleon III. Twice it was captured by the French and twice it was returned to the Germans, first by the Treaty of Ryswick in 1697 and next by the Congress of Vienna in 1815. With the defeat of France in the Franco-Prussian War of 1871, the Germans began systematic development and exploitation until the end of World War I. The Treaty of Versailles internationalized the Saar but gave control over her mines to France for fifteen years. The attempt to "Europeanize" the Saarlanders failed and at the end of the fifteen year period they voted to return to Germany. At the end of World War II, France was in occupation of the Saarland. The French made it plain that they planned to integrate the economy of the Saar with that of France. There would be no attempt at political union, as the Saar was to be self-governing, with France controlling defense and external relations.

The other allied powers made no objection to France's avowed aims, and the integration of economies was begun. The franc was

introduced as legal tender, the Saar's coal mines were placed under French control and administered by a special mission of the French Ministry of Mines, the steel industry was brought largely under French control, and the French Customs Union was extended around the entire Saarland.

France's object was the same as it had been following World War I, to ensure access to Saar Coal for the metallurgical industries of Lorraine. The Saarlanders had not changed during the interim since 1936 (the year they voted overwhelmingly to return to Germany), they were still quite aware of their common heritage of language, tradition, and race with the people of the German states. There was political agitation in both Germany and the Saar for reunion of that state with Germany, although political parties openly advocating return to Germany were not allowed constitutional status in the Saar¹ by Saar Premier Johannes Hoffman.

This was basically the situation in the early 1950's when the advocates of the European Defense Community were pressing for ratification of the enabling treaty which had been signed in May of 1952, and when the foes of integration were doing their utmost to revive old racial and national hatreds and prejudices.

1. Gray Cowan, "The Saar — Achilles Heel of United Europe," European Union, III (August, 1953), 46.

THE FAILURE OF THE DEFENSE COMMUNITY

France, which previously had boldly taken the lead in the movement for European unity, now hesitated. The concept and initiative of both the Coal-Steel and the Defense Communities were French. The French Foreign Minister had signed the treaty for the Defense Community with the consent and approval of his government. The same Assembly which ratified the Coal-Steel Community treaty in 1950, and gave its approval to the Defense Community by a vote of confidence in 1952, now hesitated. It had been asked to ratify the Defense Community treaty, but the Deputies delayed, they were unsure. Opponents of unity had planted the seed of doubt and that doubt was growing. Deputies were beset daily with letters reminding them of the time of German occupation and French resistance, urging them to vote against the Defense Community.

One of the most prominent fears of the French Deputies was that Germany would dominate the Defense Community. Frenchmen had watched with awe the speed with which Germany was rebuilding. Her almost completely devastated cities had been cleared and rebuilt. The signs of war were rapidly disappearing from western Germany while large areas of France still lay in ruins.

A factor of vital importance in understanding the French position is to realize that a great feeling of gloom and despondency had enveloped France. Much of her wealth and national pride lay in her African territories. Now those countries were stirring with unrest. The United States was pressuring France for trade concessions in

North Africa, and at the same time suggesting independence for this region. On top of this, the Indo-China war was becoming a great funnel into which France poured a seemingly endless stream of men and supplies. This tremendous financial drain in contrast to Germany's increasing fiscal freedom and economic power made the average Frenchman not only despondent, but wary of any more ties with the prosperous
¹
Germans.

The United States, as well as the Defense Community nations, waited to see what the French would do. Some diplomatic pressure was applied through the North Atlantic Treaty Organization for a decision from the French. Besides France, only Italy had not ratified and Italian ratification was expected following their national elections.

The French government asked for concessions in an attempt to placate its balking Assembly. Primarily, they wanted safeguards against any possible future German domination of the European Army. To accomplish this they asked for a commitment from the United Kingdom to keep British troops on the continent for fifty years. They also wanted special privileges for France in the use of its European Army troop contingent. This was to allow greater freedom of action in Indo-China and North Africa.

The French also wanted the United States to stop pressing for North African independence, and a cessation of United States pressure on France to open African markets to American business. They wanted

1. Robert Schuman, "European Integration," Vital Speeches of the Day, XX (August, 1954), 619.

more American aid in Indo-China. Finally, they wanted United States approval of a balanced armament program for France, which the American government felt to be wasteful in view of the integrated army concept.

Some concessions were made, but evidently not enough, for in August of 1954 the French Assembly failed to ratify the treaty for the European Defense Community. Mr. Serge Hurtig had this comment to make:

The refusal of the majority of French Deputies on 30 August 1954 to ratify the E.D.C. Treaty marked the beginning of a period in which all efforts at . . . integration ceased. . . . it is worth remembering that E.D.C. implied a substantial surrender of sovereignty, that the origin of the idea was French, and that a number of concessions were made by the other signatory countries even after the conclusion of the treaty. It therefore appeared that the vote of the French National Assembly amounted to a definitive and spectacular refusal to accept integration of the six countries. From then on there could be no question of achieving the European Political Community that had been envisaged as an extension of E.D.C.²

France's avowed aim in formulating and advocating the European Defense Community had been to prevent the rearming of Germany. The French recognized and accepted the need of German divisions for the defense of the free European states and conceived the idea of an integrated European defense force. In such a force German divisions could participate and, at the same time, the possibility of a German national army, used for strictly German national policy, would be eliminated. The plan was novel and bold, but bold measures were considered essential during that tense period. The French National Assembly, in a moment of fear and suspicion, destroyed, through fear of

2. Hurtig, op. cit., p. 326.

German domination, the very project that they had built to prevent such domination.

Chapter III

THE NEW DRIVE FOR EUROPEAN UNION

MESSINA TO ROME

The refusal of the French National Assembly to ratify the European Defense Community Treaty in August, 1954, was a discouraging blow to the advocates of European union. There was much criticism directed toward the French Deputies who had repudiated the project of their own government. Among the lawmakers themselves there was considerable confusion. This was to be expected when it is realized that their fear of a German army prompted the renunciation of the only plan specifically designed to nullify the threat of such an army. As Mr. Hurtig has so aptly pointed out, this reversal of policy on the part of France dealt a death blow not only to the integrated army plan, but also to the proposed constitution for a European Political Community prepared by M. Spaak's ad hoc assembly.

The leaders of the European union movement such as Robert Schuman, Jean Monnet, Konrad Adenauer, and Paul-Henri Spaak were discouraged by the demise of their latest move toward unity, but they were not ready to give up. Jean Monnet resigned his office as President of the Coal-Steel Community's High Authority in protest against the French Assembly's decision. He now formed an "Action Committee for the United States of Europe" which included in its membership key leaders of the democratic parties and trade unions of the six countries of the Coal-Steel Community. This group played a crucial role in persuading government bodies to act favorably on the next unity movement which was to come.

A public information program, paralleling M. Monnet's Action Committee, and known as the European Movement, was an association of citizen's groups led by Robert Schuman. This group, with moral and financial support from the American Committee on United Europe, embarked on a program of public meetings, radio programs, youth activities, research, and publications in an attempt to induce a favorable atmosphere of public opinion for the new effort, known as¹ "the new drive for European union."

The first move of "the new drive for European union" on an official level came nearly a year after the rejection of the Defense Community, and some three years after the ratification of the treaty which created the European Coal and Steel Community. The action came in June, 1955, at a meeting of Foreign Ministers of the six Schuman Plan countries in the Sicilian city of Messina. Johan Beyen, Foreign Minister of the Netherlands, made the proposal "to pursue the establishment of a United Europe by developing common institutions, by the progressive fusion of national economies, by creating a common market, and by the progressive harmonization of social policies."² The proposal included the integration of European highways and railroads, and an European pool for atomic energy.

There are conflicting reports on the reactions of the several countries participating in the Messina Conference. One source

1. Hoffman, op. cit., p. 3.

2. Resolution of Foreign Ministers of E.C.S.C. states, translated and quoted by Hurtig, op. cit., pp. 326-327.

claims that the proposal of the Netherlands was accepted with enthusiasm.³ Another source gives a different picture.⁴ According to Time, France wanted to go slow, Germany was quiet, and Benelux pushed the proposal. This view seems to be more nearly in keeping with the immediately previous actions of these countries. The French were still sensitive about the turmoil over the now-defunct European Defense Community. They would not be too likely to rush head-long into a new project. The Germans, however, had been making giant strides in the economic world and might be tempted to continue building on their own. As far as Benelux is concerned, this union of Belgium, Luxembourg, and the Netherlands had long been a proponent of a closer union of the six Community states.

Regardless of their initial reactions to the Netherlands' proposal, the six Foreign Ministers did adopt a resolution embodying all the points contained in it. They also appointed the Belgian Foreign Minister, Paul-Henri Spaak, to chair a committee of governmental delegates, assisted by experts, to study the proposals made and to submit a report of their findings. The "Spaak Report" which was the result of this committee's work was submitted to the Council of Ministers on April 21, 1956, and adopted at the Venice Conference on May 29-30, 1956.

The Spaak Report contained three sections: one providing for a Common Market, another on an Atomic Energy Community, and a final

3. Ibid., p. 326.

4. "New Mr. M.," Time, LXV (June 13, 1955), 304.

section on "areas requiring immediate attention" — sources of energy other than nuclear, air transportation, postal services, and telecommunications.

The Common Market was to be a customs union with a common external tariff, and not merely a free trade area. The union would be composed of the six Schuman Plan nations (France, Germany, Italy, Belgium, Luxembourg, and the Netherlands), but would be open to any and all countries willing to subscribe to and abide by the provisions of the plan. The committee felt that a definite timetable for the elimination of trade barriers was necessary and suggested a transition period of fifteen years, during which time all impediments and hinderances to free trade within the Community would be eliminated. The institution of the Common Market would have limited supranational powers.

France immediately objected to the rigid timetable proposed in the Spaak Report. Dissimilar conditions among the Community nations were, according to the French, sure to create difficulties. France, for example, had high wages, living standards, and social benefits. She wanted assurance that any "harmonization" of social conditions would be upward to the highest existing levels (French), and not downward, as this would create considerable antagonism and opposition among French workers in general. France also wanted her African territories included in the Common Market area.

Concessions and compromises were made in favor of France, and two treaties, one providing for a common market, the other for an atomic energy pool, were signed by the Foreign ministers of the six

Community nations in Rome on March 25, 1957.⁵

When the European Defense Community Treaty was signed by the Foreign Ministers of the six Coal and Steel Community nations in May of 1952, most of the signatory governments acted at once to ratify the agreement. Then France, who had initiated the plan and carried it to the signature stage, reversed its position. The other members of the Six did not want a repetition of that embarrassing occurrence, so this time they waited. They signed the treaties readily enough, but delayed ratification until the course of the French National Assembly had become clear.

The negotiations leading to the Treaties of Rome were not easily concluded. The idea of opening the borders of the six Community nations to form a huge common market was fraught with dangers, and no diplomat present was blind to that fact. There were dangers inherent in the plan for each of the six countries, but perhaps France was in the most delicate position.

Germany had little to lose in joining this new community. Her government still held a not too secure position among the nations that had recently opposed her during the late war. She would not object too strenuously to any proposal that promised to improve her world position. Also, Germany was rebuilding rapidly from the devastation of the war, her industrial output was breaking all records for expansion, and the prospect of a vast market of 160 million people to consume this output was all the persuasion the

5. Hurtig, op. cit., pp. 327-329.

Germans needed. Their currency was stable, in fact it was the strongest in Europe, and Germany had moved from a position of debtor, with reparations to pay, to that of creditor to almost every nation in western Europe.

The Italians' basic problem was one of vast unemployment. They saw in the Common Market the opportunity for new development and for migration of workers from areas of labor surplus to those of labor shortage. Also, Italy feared the Communists, and was ready to participate in any European movement designed to strengthen the free institutions of the western world.

The Benelux nations had long favored free trade, as evidenced by their own customs union and their low tariffs on goods from outside countries. The Dutch in particular did not fear additional competition because they felt that they could produce as efficiently as anyone else. For these reasons, they had no fear of the new large market, and they were ready to push the plan as a means of renewing the move toward federal union.

France was the country with the problems. Her factional political system would have been problem enough, but France had others. France had spent huge sums of money on social security, subsidization of industry, and her Indo-China war. She feared the impact of a common market and the resultant increased competition on her over-protected industries. French labor earned relatively high wages and received costly social security benefits. Since the Common Market Plan called for harmonization of social conditions, France wanted assurance that the pay scales and living standards would not be

harmonized downward to the level of her neighbor state, Italy.

France had another problem of major proportions and that was her overseas territories, primarily in Africa. The French felt keenly their responsibility for the development of these lands, and in their strained financial condition welcomed the opportunity of sharing the burden with their partners in the European Economic Community. The French delegates held out for and obtained provisions in the treaty for development in Africa, both for her own territories and for those of Belgium. These territories were also to be included within the customs union of the Common Market.

The French still had objections to the report (Spaak) which they finally adopted at the Venice Conference. The most important of these concerned the rigid timetable which the Spaak Report recommended for bringing the Common Market into being. Several conferences were required to work out the differences and in the end the French gained a degree of flexibility in the timetable, although it remains relatively precise.

The concessions made in favor of France were said by the French delegates to be absolutely necessary to insure acquiescence of the French National Assembly. Whether they were necessary or not is an academic question, but the fact remains that the Assembly did ratify the European Economic Community Treaty on July 9, 1957, by a vote of 342 to 234. The governments of the remaining five Community countries quickly followed the lead of France, with the only significant opposition coming from the Communists.

6. Ibid., pp. 327-329.

TARIFFS, QUOTAS, AND FREE MOVEMENT

The European Economic Community came into official existence on January 1, 1958, its treaty having been signed and ratified by the governments of France, the Federal Republic of Germany, Italy, Belgium, Luxembourg, and the Netherlands. Seven days later the members of the Commission, the Community's executive body, were appointed, with Germany's Walter Hallstein as president.

This new Community, coupled with the European Atomic Energy Community, was the direct result of the "new drive for European Union." These two new Communities, especially the Economic Community, are the latest links in a chain of events stretching back to the Bretton Woods Conference in 1944. It was at this conference that the International Monetary Fund and the International Bank for Reconstruction and Development were created. These two organizations were conceived to cope with the monetary and financial aspects of the problem of liberalizing trade.

One of the functions of the International Monetary Fund was to advance credit to those nations whose balance of payments was such as to curtail those countries' imports. If a country had no money with which to purchase goods from its neighbors its imports ceased, and the country or countries which had previously furnished those imports suffered as well. It was a purpose of the Fund to furnish credit to such debtor nations in order to stimulate international trade. At the same time, the Fund was to exert sufficient pressure on the debtor country as to cause it to gradually achieve a satisfactory

balance of payments.

While the Monetary Fund was extending credit in order to stimulate international trade, the International Bank for Reconstruction and Development was to provide advances of capital for rebuilding industries and general economic structure destroyed by the war. Its main job was to guarantee loans raised directly on the capital market. Such loans were to be earmarked for basic economic operations, with no prospect of immediate returns.

There was little question of obtaining speculative funds by the promise of small risk and large returns. Large sums were needed, but no immediate return could be promised. The Bank was to obtain these large sums and to back them with its own authority and credit.

The International Monetary Fund failed to accomplish this purpose primarily "because of its unwillingness to bring the necessary pressure to bear on the member States for the restoration of their own individual balance."¹ The International Bank for Reconstruction and Development also fell short of expectations in the task of providing large sums of money for use on projects for the general advantage. Nervousness on the part of both Bank and member states has been cited as the prime reason for the Bank's failure to function in this important task of stimulating the flow of capital while² protecting it against undue risk.

1. European Coal and Steel Community, The Common Market and the Free Trade Area, (Luxembourg: High Authority Information Service, June 4, 1957), p. 1.

2. Loc. cit.

This partial failure of these two institutions convinced leaders in a number of countries that if international trade was to be stimulated and liberalized they would have to go to the core of the problem and take direct action to eliminate the barriers and impediments to such trade which had been erected between the two world wars.

This was the impetus for thirty-five countries to sign the General Agreement on Tariffs and Trade in 1948. This organization became the center for negotiating tariff reductions. There was a measure of co-ordination between this body and the Organization for European Economic Co-operation that had as one of its functions the progressive abolition of quantitative or quota restrictions on imports.

The inadequacy which many leaders felt to be inherent in the General Agreement on Tariffs and Trade and the Organization for European Economic Co-operation paved the way for the acceptance of the Schuman-Monnet Plan for coal and steel, which amounted to a common market restricted to these two basic industries. The success of the Coal and Steel Community stimulated certain leaders to aspire for greater unity among the free nations of Europe and they proposed the European Defense Community and the European Political Communities, both of which failed — that is to say that the proposal failed; the Communities themselves never came into existence.

This failure was the end of a dream for some, but not for such men as Robert Schuman and Jean Monnet. They continued their efforts to create a United States of Europe, but this time began their approach from another direction. It was felt that since the common market for coal and steel had proved workable it should be expanded into a

general common market for all goods and services. This approach resulted in the European Economic Community.

The European Economic Community, or Common Market, has as its objective the economic integration of the member states, the establishment of common institutions, and the development of an atmosphere conducive to complete political union.

The Common Market was to be more than a free trade area comprising six countries. It was to be a customs union with a uniform external tariff. Within the Community itself all obstacles to trade were to be systematically reduced over a twelve-year period, at the end of which goods, services, capital, and persons would be able to flow throughout the entire Common Market area without impediment.

A unique feature of this plan is the set schedule for the accomplishment of certain objectives. The process of integration will be effected in stages and, like the Coal and Steel Community, will be irreversible. Once a particular stage of integration is reached it may not be revoked or undone without violating the treaty. This will ensure against retraction by any country from progress already made in the event that politicians unfriendly or antagonistic to the movement should come in office in the various national governments.

Briefly, the Common Market is to be brought about in the interim period in the manner set forth below.

The customs duties existing between the member states of the Economic Community will be reduced in three stages of four years each. There are to be three reductions of 10% each during each of the

first two stages. The first reduction of 10% will come at the end of the first year of operation of the Market, followed by two additional reductions of 10% at eighteen-month intervals. Thus the tariff will be reduced by 30% by the end of the first four years.

The second stage follows with 10% reductions after the passing of eighteen and thirty-six months. The third 10% reduction will come at the end of the eighth year. At the conclusion of the second stage all tariffs between the member states will have been reduced by 60%. The remaining 40% will be eliminated during the third and last four-year stage.

This schedule was formulated by M. Spaak's committee for two prime purposes: to allow a gradual reduction of tariffs to ease the shock on the economies of the member states, and to ensure that the reductions will be systematically and positively eliminated. It was to this timetable that French negotiators objected. They did achieve a degree of flexibility in that each stage may be extended for a period of one year, but in no case may the transitional period be extended beyond fifteen years. The extensions of the individual stages must be approved by a qualified majority of the Council of Ministers -- an organ of the Community to be described later.

It was recognized by the framers of the plan that a reduction of tariffs within the Community would be of no value in the stimulation of trade so long as the governments of the member states were free to impose import quotas, therefore the treaty provides for the abolition of all quantitative restrictions. Bilateral quotas are to be turned into overall or global quotas for the Community without dis-

inction as to state. In addition, these global quotas are to be increased by 20% at the end of each year. By the end of the tenth year -- after all quotas have been increased by 200% -- they must be at least equal to 20% of the national production.

While a free trade area plan allows its individual member states to set or continue their own particular external tariffs, a Customs union is characterized by a common tariff against third countries. The plan for the European Economic Community envisages such a common external tariff. The common customs tariff will be set at the arithmetic average of the duties of the several states at the inception of the Common Market -- that is, January 1, 1958.

From the beginning of negotiations on the external tariff the Benelux states had pressed for a tariff level which would stimulate international trade with the Community. The other three countries, however, insisted on a high level, at least at first. France, fearing foreign competition as well as an unfavorable balance of payments, wanted a rate higher than any of the then existing tariffs. The proponents of the high wall of protection won in that the arithmetic average produced a relatively high tariff.

To aid the member states in adjusting to the common level, they were allowed to spread their tariff changes. Those tariffs which were 30% or more above or below the common level would be adjusted by a 30% decrease in the difference between them and the common tariff at the end of each of the first two four-year stages. The final reduction must take place by the end of the third and last stage.

Those tariffs which do not diverge from the common level by more than 15% must be brought into concurrence with it at the time the treaty becomes effective.³

It was envisaged by the Spaak committee that the Common Market could not be of maximum effectiveness unless there were provisions for the free movement of workers, transfer of capital, and the implementation of a common transport policy. Provision for these things was included in the treaty, specific details were not.

The treaty provides that the freedom of workers to move from one location to another within the Community for the purpose of accepting employment must be complete by the end of the transitional period. This does not mean, as some Frenchmen feared, that under this provision they can be overrun by unemployed Italians seeking work. The freedom of movement is not intended to allow unemployed workers to cross national borders for the purpose of finding a job, but will allow workers to go any where within the Community in order that they might accept previously offered employment. How this freedom of movement is to be effected is left up to the organs of the Community.⁴

Likewise the treaty calls for the removal of all restrictions on the transfer of capital within the boundaries of the Community, while leaving the means to the discretion of the officials of the Community. This freedom of the transfer of capital involves indirect as well as direct investment — that is, nationals of member states

3. Ibid., p. 4.

4. Ibid., p. 5.

have the right to invest money obtained within the Community in any member state for the purpose of acquiring shares and participating in the management of existing enterprises as well as for the creation of new ventures.⁵

One of the most effective methods available to governments for circumventing restrictive obligations to reduce duties and increase quotas is the discriminatory manipulation of transportation rates. With this being the case, the treaty calls for a common transportation policy as a cornerstone for complete economic integration. As in the previous provision, the formulation and implementation of such a common policy was charged as a responsibility of the institutions of the Community.⁶

It should be noted before leaving this discussion of tariffs et cetera that the treaty provides for trade negotiations with third countries. In general, the common tariff will be applied toward third countries, but the European Commission — the executive organ of the Community, to be discussed in the subsequent section — may make proposals and conduct tariff negotiations with such countries under a mandate approved unanimously by the Council of Ministers. After the ninth year unanimity of the Council will be replaced by a qualified majority to approve tariff concessions which do not vary more than 30% from the common basic tariff.⁷

5. Loc. cit.

6. Loc. cit.

7. Ibid., p. 6.

INSTITUTIONS OF THE COMMUNITY

The European Economic Community is operated and directed by four principal organs, plus a group of lesser advisory bodies, which include a Council of Ministers, a European Commission, a Parliamentary Assembly, and a Court of Justice.

The Council of Ministers, composed of one representative from each member government, is "responsible for ensuring the co-ordination of the general economic policies of the Treaty signatories and exercising powers of decision." ¹ As a rule, the Council acts only on proposals from the Commission, which may be amended only by a unanimous vote. The Council is supreme, however, on such questions as progression to the second stage of the time-table, the adherence of third states, suspension of emergency measures taken by a member state, its own rules of procedure, and the remuneration of members of the several organs of the Community. The decisions of the Council are of four types: unanimity, simple majority, qualified majority, and ad hoc majority. The type of vote required depends on the stage of the timetable and the subject matter under consideration. The system is so set up as to give each member government a virtual veto in the Council during the first stage, with a gradual liberalization of the voting procedure as the Common Market progresses through its various stages. The qualified vote is so arranged as to discourage the formation of blocs among the participating governments. Following

1. Hartig, op. cit., p. 333.

the end of the fifteen-year transition period the unanimity rule will still prevail for matters of sufficient importance to require the consent of all members, and for acts that modify the treaty. Thus, in all important matters the member states retain their full sovereignty.²

The Council of Ministers is identical in composition to the Councils of both the Coal-Steel and Atomic Energy Communities and is common to the three.

The Commission of the European Economic Community is composed of nine persons -- each of whom must be a national of a member state -- chosen for their general competence and indisputable independence. The members are chosen by agreement among the governments concerned and serve for four years -- being re-eligible indefinitely. They act by majority vote, are independent of governments, and are dedicated to the service of the general interest of the Community.

The Commission is the executive organ of the Community and is specifically charged with supervision of the other organs of the Common Market and the application of treaty provisions. It reports annually to the Parliamentary Assembly on the work of the Community, replies to questions put to it by the Assembly, and is generally responsible to it. If the Assembly should take issue with the Commission's report, or any other phase of the permanent executive body's work, it may move to censure the Commission. Should the motion be sustained by a two-thirds majority of the Assembly the

2. Ibid., p. 334.

Commission is required to resign in a body.

In addition to the duties already mentioned the Commission administers the legal and financial affairs of the Economic Community, and its president represents the Community to third countries and in international organizations. The Commission may recommend and issue opinions, but they are advisory only and are not binding on member states.

One of the most important functions of the Commission, aside from its job of managing the daily affairs of the Community, is to issue proposals to the Council of Ministers. These proposals are the major source of Council decisions.³

The Parliamentary Assembly of the European Economic Community consists of 142 members appointed by the parliaments of the member states on the basis of an allotted quota for each state. The Spaak Report had recommended that the Common Assembly of the European Coal and Steel Community be expanded and serve also as the assemblies for both the Common Market and Atomic Energy Communities. This suggestion was received favorably by the negotiators and, although it was not specified in the treaty, it was put into effect as is related in Articles 1 and 2 of the Convention Relating to Certain Institutions Common to the European Communities. By virtue of this convention the single European Parliamentary Assembly is common to the three Communities -- Coal-Steel, Economic, and Atomic Energy.⁴ This is

3. Ibid., pp. 336-337.

4. Ibid., pp. 337-339.

an unprecedented situation; three international executive bodies operating in the same realm with six national governments and subject to the same common assembly, the members of which are appointed by the six governments.

The appointment of the Assemblymen by the national parliaments is not intended to be of a permanent nature, for the framers of the treaty envisaged direct universal suffrage. To this end the treaty enjoins the Assembly to work out a system providing for such direct universal suffrage by a uniform procedure in all of the Community⁵ states.

Even though the Parliamentary Assembly is common to each of the three Communities, it exercises varying powers with respect to them. In regard to the two latest organizations, the Economic and Atomic Energy Communities, the Assembly's power is about equal in that the executive Commission of each of these Communities can be forced to resign at any time by a motion of censure supported by two-thirds of the Assembly. The executive High Authority of the Coal and Steel Community, however, can be deposed by a similar vote of censure only once a year -- at the time its annual report is submitted. Thus the Assembly does not have equal control over the three executive organs.

It would be pure conjecture to attempt to predict future influence of the Assembly if the universal suffrage method is employed in the selection of Assemblymen. It is conceivable, however, that

5. Ibid., p. 338.

a universally elected Assembly could exert much influence over the executive bodies of future years, even if full censure was not resorted to,

The Court of Justice of the European Economic Community is of a status parallel to that of the Parliamentary Assembly in that it will serve as a common court not only for the Economic Community, but also for the Coal and Steel and the Atomic Energy Communities. Again like the Assembly, the Court will have varying powers among the three Communities. For example, the Court can reverse decisions of the Coal and Steel Assembly, but does not have this power over the Assemblies of the other two Communities. Since, as has been discussed, the Parliamentary Assembly acts for each of the three organizations the Court would have to act on a case in question according to the treaty under which the subject fell; that is, it would have to rule on its own competence. This situation could well lead to complications and disputes.

The Court of Justice is composed of seven judges and two advocates-general who are appointed for periods of six years by agreement among the member governments. The judges themselves appoint a President of the Court for a period of three years, and may re-elect him for additional terms.

The seven judges may form Chambers of three to five judges each. They are assisted by the two advocates-general "whose duty is to present publicly 'reasoned conclusions' on cases submitted to the Court."⁶

6. Ibid., p. 339.

It is the duty of the court to ensure that provisions of the treaty are interpreted and applied with law and justice. To accomplish this the Court may hear charges by one member state against another or against the Council or Commission; charges of the Commission against a state; and disputes with the European Investment Bank. The Court may also review the decisions of the Council and the Commission, and may nullify them. The decisions of the Court are final and binding.

In addition to the four major organs of the Community, the treaty enumerates several advisory and supplementary bodies including the Economic and Social Committee, European Investment Bank, European Social Fund, and the Development Fund for the Overseas Countries and Territories.

The largest of these groups is the European Economic and Social Committee, with 101 members. These committeemen are chosen by the Council of Ministers from lists of nominees supplied by the member governments of the Community. In selecting committeemen from the national lists the Council is required by treaty to consult the Commission. The members are elected for four-year terms by a unanimous vote of the Council. The Council must also consider the necessity of adequate representation of the various sectors and categories of the Community, particularly those of agriculture, transport operators, producers, workers, merchants, artisans, the liberal professions, and the general interest. It is the purpose of the Economic and Social Committee to give advice and information to the Commission, when called for, on the various subjects, fields, and interests

represented.

The European Investment Bank was established to administer the one billion dollar investment fund set up by the Common Market treaty. The bank will act in co-operation with other international funds to finance "projects of a European character and interest whose magnitude and nature do not lend themselves to the financing available in each state separately."⁷ The extent of participation by the Bank will depend on the degree of "European interest" in the project and will be roughly proportional to it. This "European interest" will be determined by the number of states interested or participating in the project, and by the opinion of the Bank.

In addition to the projects of "European interest," the Bank is to provide funds for development in less favored regions and particularly for regional development plans for agriculture. Such a provision appears to be directed at southern Italy, due to the under-developed nature of that region.

Finally, the Bank will make available funds for the reconversion of obsolescent and other enterprises by extending credit which might be difficult or impossible to secure on the open market.⁸

The one billion dollars of resources assigned to the Bank by the treaty is to be supplied by subscriptions of the member states, only 25% of which will be paid initially. During the first five years of

7. European Coal and Steel Community, The Brussels Report on The General Common Market, (Luxembourg: High Authority Information Service, June, 1956), p. 13.

8. Loc. cit.

the Community's life the states will make additional contributions up to the total of their assigned share. These subscriptions will be called, up to the amounts agreed to in advance, only to the extent necessary to supplement funds the Bank will obtain from the capital markets.

The fear that the creation of the Common Market would result in the closing down of some activities, causing pockets of unemployment, prompted the drafters of the treaty to propose the establishment of a European Social Fund, to be administered by the Commission with the assistance and advice of a special committee. This committee would include representatives of governments, trade unions, and employers' associations. The purpose of the fund is to promote "within the Community employment facilities and the geographical and occupational mobility of workers."⁹

The treaty provides that the Social Fund may contribute to national efforts toward productive re-employment of workers through re-training, re-location, and in some cases unemployment compensation. The extent of the Social Fund's contribution in each state may be as much as 50% of the national government's expenditure in this work.

The inclusion of the Social Fund provision no doubt aided the backers of the Community treaty in obtaining ratification, but its actual benefit to the Community may be doubted since the treaty contains no provision for securing finances for the fund.

When the Spaak Report was formulated no consideration was given

9. Hurtig, op. cit., p. 368.

to certain extensive overseas territories under the control of member states. At the Venice Conference, however, Foreign Minister Christian Pineau declared that France's participation in the Common Market would be conditional upon the inclusion in the market of the overseas territories. Negotiations resulted in an agreement for the association of the overseas territories with the Common Market. The territories included in the agreement are the following: "French overseas territories of West and Central Africa (including Togoland and the Cameroons), Madagascar, St. Pierre and Miquelon, French Somaliland, New Caledonia, and the Pacific possessions (Algeria, Reunion, Guadeloupe, Martinique, and French Guiana, legally parts of France proper, come under the treaty itself [Article 227] not under the protocol for overseas territories); Belgian Congo and Ruanda-Urundi; Somaliland (under Italian¹⁰ trusteeship); and Netherlands New Guinea."

These overseas territories will have the privilege of trading with Community nations as full members. The territories may, however, to facilitate their industrial expansion, protect their new industries with tariffs so long as they do not discriminate among Community countries.

In return for the privilege of trading with the overseas territories, the non-colonial members of the Community agreed to share in the cost of capital investment and development of these basic material regions. This was highly agreeable to France which was straining under the burden of developing her vast African territories. To carry out

¹⁰ Hurlig, op. cit., p. 369.

this joint development project the Development Fund for the Overseas Countries and Territories was established.

The Development Fund established by a special Convention will operate, initially, for a five-year period under the management of the Commission. However, any allocation of funds requires the assent of an ad hoc majority of the Council of Ministers.

The Development Fund will be contributed to by each of the member states and benefits will accrue to those states possessing overseas territories -- France, Belgium, Netherlands, and Italy. It is significant to note, however, that France will be sole beneficiary of the Fund since it is the only state whose contributions do not exceed its receipts. France will benefit during the five-year period by a net amount of 130 billion francs, but since France annually invests something like 250 billion francs in her territories the contributions of her Community partners are relatively modest.

French opponents of the Common Market point out that contributors to France's overseas territories will naturally expect to contribute to France's colonial policy. This they hold to be meddling in French internal affairs, and incompatible with France's status as a sovereign power.

Proponents of the Common Market feel that France's partners in the European Economic Community can have a beneficial influence on French colonial policies, which they believe must undergo rapid change.

11. Hurtig, op. cit., p. 371.

12. Hurtig, op. cit., p. 372.

THE COMMON MARKET AND FREE TRADE

When the Common Market treaty was being negotiated in May of 1956, the United Kingdom was unrepresented, and for the same reasons she gave for standing apart from the Schuman Plan. The success of these negotiations in Venice, however, disturbed the British to the point of initiating action in the Council of the Organization of European Economic Co-operation (O.E.E.C.) in the form of a working committee with the task of considering possible ways of associating the other members of O.E.E.C. with the Common Market.

There was a developing concern among the eleven O.E.E.C. nations outside the European Economic Community that the new Common Market would discriminate against them and adversely affect their own economies. The United Kingdom was the recognized leader of this feeling. According to Jan Hasbrouck, the British never really believed in Franco-German co-operation until they found that it had actually happened; that co-operation had begun with the Schuman Plan and now was developing into a General Common Market.¹ The British saw their commercial position on the continent in jeopardy and moved to protect it. The form of this move was the suggestion of a Free Trade Area to include all of the seventeen nations in O.E.E.C., with the Common Market as its nucleus. The O.E.E.C. committee was chaired by the British Postmaster General Reginald Maudling.

1. "Will Common Market Succeed?," Foreign Policy Bulletin, XXXVIII (December 1, 1958), 45-47.

From the earliest beginnings of the Schuman Plan the six nations of the European Community had insisted by declaration and by treaty-provision that their association was not an exclusive club but was open to any European state that would assume the treaty provisions and obligations. The form of the European Coal and Steel Community and later of the European Economic and Atomic Energy Communities involved the surrender of certain freedoms of action and points of sovereignty on the part of the member states. It has been suggested that this surrender of national sovereignty was more painful to some nations than to others. It was this that was so distasteful to the United Kingdom. Although the British, particularly Sir Winston Churchill, had strongly advocated European unity and solidarity, the United Kingdom was not for a moment considering joining any continental union. The British were willing to associate, but not to unite with the Community's avowed purpose of political union. So the situation was this; the Common Market was actually taking shape among the six Community nations, and the British feared being shut out of the potentially strong market of 160 million Europeans. The United Kingdom wanted a close association with the Common Market — close enough to enjoy the benefits of it — but at the same time wanted to maintain the system of imperial preferences with the Commonwealth of Nations. A Free Trade Area was thought to be the solution. The general idea of a Free Trade Area in western Europe was acceptable to most of the states concerned, but posed some special problems for the Common Market Six.

The natures of a free trade area and a common market may be sketched to illustrate the essential differences. A free trade area is basically a loose association in which states lower or abolish trade restrictions among themselves while maintaining their separate outside tariffs and quotas against third countries. In contrast, a customs union, while establishing the same freedom of trade among its members as a free trade area, sets up a common outside tariff against third countries. The Common Market carries the customs union a step farther by establishing common institutions and undertaking joint projects.

The Free Trade Area, proposed by the British and endorsed by O.E.E.C., would extend the trade benefits of the Common Market to the other eleven O.E.E.C. countries, but would exclude agricultural products; and would disallow the free movement of labor, services, and capital. In addition, the Free Trade Area countries would not assume a common external tariff, but would keep their own separate rates.

It is not too difficult to see the problems such a proposal would create for the states of the European Economic Community. Besides putting the United Kingdom in a preferred trading position in regard to both the Common Market and the Commonwealth, the privileges and benefits of the Common Market would be open to both the Free Trade Area and the Commonwealth, while the burdens of the common institutions would fall entirely on the Community.

Needless to say, an impasse was reached in Free Trade Area talks. Germany and Benelux favored a free trade area of some kind, but France

held out for a common external tariff around the Free Trade Area. Without this common tariff goods could come in from the Commonwealth to the United Kingdom, for example, at a very low rate or even duty free. From there they could circulate freely within the Common Market. Such a situation would seriously, if not completely, disrupt the Communities' plans to harmonize costs of production and social benefits. If goods could enter through low-duty nations the unequal costs of production would be maintained or even accentuated within the customs union. It was suggested that this problem could be eliminated by the use of certificates of origin on all goods coming through the Free Trade Area, but this system was sure to be subject to abuse, and too complex when the related problem is added of goods manufactured within the Free Trade Area from raw or semi-finished materials from third countries.

An additional major problem involves the British insistence that agricultural products be excluded from the Free Trade Area. This exclusion is again based on the United Kingdom's relationship with the Commonwealth through the system of imperial preferences. British manufactured goods are given tariff concessions in the Commonwealth countries in return for very low or no duties on Commonwealth agricultural products coming into the United Kingdom. The inclusion of agricultural products in the Free Trade area would allow French and Italian foodstuffs to enter the United Kingdom in competition with those of the Commonwealth. This would jeopardize the imperial preferences system — a situation the British cannot afford to let happen.

2. Loc. cit.

In contrast to the British position is that of the Community. It was realized from the inception of the Common Market that no realistic rationalization of the economies of its various members could be attained without a common policy on agriculture. This was seen to be one of the most difficult phases of the economic integration of the six states. Consequently, agricultural policy is being very carefully worked out, with safeguards all along the way because of the sensitiveness of this sector of the economy. Therefore, the Community feels that if it is to progress toward a truly rational common market — and this it is determined to do — there is no possibility of excluding agriculture from any free trade area to which the Common Market belongs.³

After thirteen months of fruitless negotiations within the O.E.E.C., Free Trade Area talks were finally broken off on November 15, 1958. This was not the end of efforts to extend the benefits of the Common Market, for on December 3, 1958, the Council of Ministers instructed the Commission of the Economic Community to re-examine the problems involved in the establishment of a multilateral association between the Common Market and the other member states of the O.E.E.C.. This re-examination was to pave the way for future talks, and had by this time acquired the name of European Economic Association (E.E.A.).

The report of the Commission referred to previously reasserted

3. European Economic Community, First Memorandum from the Commission of the European Economic Community to the Council of Ministers of the Community, pursuant to the decisions of 12/3/58, (Brussels: E.E.C. Information Service, March 16, 1959), p. 14.

the Economic Community's belief that extension of the Common Market is not only desirable, but imperative. The Commission took the position that the Community, as stated in its treaty, must establish a liberal trade policy, not only with European countries, but on a world-wide scale. The formulation of this policy must not be on a bilateral basis, but must be pursued within the framework of such existing organizations as the O.E.E.C. on the European level, and the General Agreement on Tariffs and Trade (G.A.T.T.) on the world level.

It is recognized that any satisfactory solution to the problems confronting the European Economic Association must be the result of negotiation and compromise on both sides. However, the Commission specifically states that the Economic Association must provide for the harmonization of economic policies among its members. Otherwise, the non-Community states would be sharing all of the trade benefits of the Association while the Common Market countries carried the burdens of the common institutions and development projects.

By way of emphasizing its liberal trade policy, both world-wide and in Europe, the Council of Ministers of the European Economic Community announced on the eve of the Common Market's first internal tariff reduction and quota enlargement due on January 1, 1959, that these liberalizations of trade would be extended to certain other nations. The tariff reductions would be extended to all members of the G.A.T.T., while the quota enlargements would be partially extended on a reciprocal basis to the other members of the O.E.E.C.. These steps were taken to counter fears expressed by some O.E.E.C. countries

following the break-down of the Free Trade Area talks in November,
1958.

4. "Tariff Cuts Extended," Bulletin from the European Community,
no. 33, (December, 1958), p. 1.

INTRODUCTION OF THE COMMON MARKET AND SELECTED REACTIONS THERETO

On New Year's Day of 1959, the first economic steps toward the progressive creation of a common market in western Europe were taken by the nations of the European Economic Community. This was a significant day for the approximately 160 million people who live and work within the six-nation area of the Common Market, for on this day the restrictions and obstacles, which had for so long impeded trade among their countries, began to fall. In order to soften the shock to long-protected industries and enterprises, the initiators of the plan wisely provided a period of transition, during which the businessmen of France, Germany, Italy, and Benelux should be able to so adjust their affairs as to be ready for full competition when the last impediments to trade are finally brushed away.

As has been described in an earlier section, the timetable provides for three four-year stages, during which all tariffs and quota restrictions are to be abolished. On January 1, 1959, the first of these abolition moves was made as follows:

1. A 10 per cent over-all mutual reduction in tariffs.
2. An over-all mutual increase of 20 per cent in existing quotas.
3. The establishment of minimum quotas of 3 per cent of national production for each product.
4. The globalization of quotas.¹

The 10% over-all mutual reduction in tariffs obtained within

1. Loc. cit.

the Common Market area and, by proclamation of the Council of Ministers on December 3, 1958, was extended unilaterally to all members of G.A.T.T.. This extension was in line with both the Community's world trade policy and the trade liberalization through tariff cuts program of G.A.T.T..

Simultaneously with the tariff reduction, the Common Market states effected an over-all mutual increase of import quotas by 20%. This increase was conditioned by the per cent of the quota to the national production of a particular item. All quotas were raised by 20%, but in no case could the resultant quotas be below three per cent of the national production of each item. This increase of 20% was extended to the eleven non-Community member states of the O.E.E.C., for industrial products, and on the basis of reciprocity. This was in contrast to the tariff reductions extended to G.A.T.T. members as that was a unilateral action, although reciprocal gestures were welcomed by the Community.

In addition to being increased for each item, all quotas were globalized, that is, where a particular quota had existed on French imports from Italy, this quota, now enlarged by 20%, must be made inclusive of the whole Common Market. The French importer may now buy from Italy, Germany, or Benelux, on the basis of the enlarged quota which had previously existed for Italy.

Agriculture, which had been a source of controversy during the Free Trade Area talks, also came in for liberalization with the beginning of the Common Market. As for other products, customs duties were

reduced and quotas increased, but this liberalization will not be as effective as for other products, for during the transition period, governments of the Community nations may fix minimum prices on farm imports. These minimum prices were allowed to forestall serious dislocations in sectors of the nation's agriculture. Also, if the import price falls below the minimum, the government may reduce or suspend all imports in that class. This is an interim measure and will give way to the common agricultural policy when it is adopted later in the first stage.²

The reactions to the introduction of the Common Market varied from the elation of those men who had worked so long and so hard to bring it about, to the complaints of certain Latin American countries that feared the loss of their trade in basic raw materials due to the association of the overseas countries and territories.

Many French industrialists had expected benefits from a closed European Market. This was one of the reasons for France's hostility to talks on the Free Trade Area. The French would probably not have even negotiated on the Free Trade Area if the British had not managed to get the O.E.E.C. to indorse the scheme, and if Germany and Benelux had not favored some kind of Free Trade Area.³ Now that the market had opened and the first steps taken toward freer trade, France eased the situation some by taking two unexpected steps. One was to announce

2. Ibid., p. 3.

3. "Trade Unity Splits West Europe," Business Week, December 6, 1958, pp. 103-104.

a 40% increase in import quotas within the O.E.E.C, a move in addition to the tariff cuts required by the Common Market. The other was the devaluation of the franc and the establishment of partial convertibility -- convertibility for non-residents.

This was done, in part, to off-set British reactions to failure of Free Trade Area talks. The British had threatened economic reprisals if they were not allowed freer trading privileges within the Common Market area. In an additional action, French President De Gaulle completely abolished import quotas on 900 products.⁴

The reaction in the Benelux countries to the opening of the Common Market was mild. They had lived within a smaller customs union for several years, so the idea was no shock to them. Benelux had long advocated and practiced freer trade, therefore the Common Market was welcomed. Actually, Benelux would like to see the Common Market extended to the other eleven O.E.E.C. nations, either as the European Economic Association, or in the form of multilateral free trade agreements.

The Germans were somewhat divided on the question of the Free Trade Area. They were agreeable to the trade liberalization movements prompted by the Common Market. Their economy was expanding rapidly and they had great expectations for the cultivation of the new European market but, like Benelux, the Germans favored inclusion of the other O.E.E.C. states under a free trade agreement.

Although this was the desire of a number of industrialists, and

4. "The Fourth Force," Time, LXXIII (January 12, 1959), 23.

certainly that of Economics Minister Ludwig Erhard, who prior to January 1, 1959, had lowered Germany's tariffs to the forthcoming Common Market levels, the German government did not push for the Free Trade Area. The prime reason for this was the determination of Chancellor Konrad Adenauer to keep Germany solidly on the side of France, and France was cool to the proposed plan of the British-led O.E.E.C. committee.⁵

Italy, like Benelux welcomed the Common Market, but for different reasons. Italy's number-one problem since before World War II had been unemployment in southern Italy. The area south of Rome contains 40% of the 49 million population of the country, but contributes only 20% of the national income. Italy hopes the Common Market will help alleviate the distressed conditions there through free movement of labor to other areas, and through development of the region. This development would be aided by the new European Investment Bank. In addition to these advantages, Italy sees the Common Market as providing more favorable conditions for Italian farm products and production.

In Italy's industrial realm there was a lack of uniformity in the reactions to the opening of the Common Market. The small firms openly expressed the fear that the new mass-production methods which the market will encourage will drive them out of business. The larger companies, however, seem to be eagerly preparing for the new competition and opportunity to come. Industry in Italy now accounts for 50% of the national income, and in 1957 industrial employment exceeded

5. Loc. cit.

6

that of agriculture for the first time in the nation's history. The Italian lira is now considered one of western Europe's stronger currencies. These factors, the Italians believe, will influence American investment and help them compete with the big industries of France and Germany.

Italy also has interest in the association of the French and Belgian overseas territories with the Common Market. Italy's once sizeable colonial possessions have shrunk to the single trusteeship over Somaliland, and that ends in 1960. Like Germany, she wants access to Africa's raw materials; in addition she sees Africa as an outlet for her expanding population.

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The United Kingdom was not happy about the opening of the Common Market, primarily because she had not achieved the association with it that she desired. The Free Trade Area negotiations had terminated some two months prior to the first tariff reductions. Actually, the British were irritated and embarrassed because of the position in which they found themselves. They could not join the Common Market because of trade ties with the Commonwealth, nor could they ignore this vast new market and trade competitor just across the Channel.

Some commentators have suggested that the British were really surprised when the Common Market treaty was signed. They had been advocating European integration since the end of World War II, but

6. "Italy Welcomes the Common Market," Business Week, (May 9, 1959), pp. 77-78.

7. "Eurafrica: New Deal for the Dark Continent," Business Week, (April 20, 1957), p. 112.

evidently were insincere about wanting it. British Laborite Denis Healey had this to say during the Venice Conference: "At first, we were for the integration of Europe because we didn't think it could happen. Now we're concerned that the Common Market may be created and Germany will dominate trade if we stay out."⁸

When it was realized in the United Kingdom that the Common Market was in the process of actual creation, British statesmen and business leaders were forced to reassess their position. Industrialist Justin Wells, managing director of Manchester's Germ Lubricants, Limited, expressed the view that although the risks to the United Kingdom of joining the Common Market were grave, the risks of relying on imperial and other preferences, "of complacently accepting that the continent can produce cheaper than the United Kingdom and hoping the quality is not so good, lie farther ahead and are graver." He sums up his thinking by asserting: "In the interests of our own generation we should hold aloof from the Messina scheme [Common Market] but for those of posterity let us seek founder membership."⁹

The United Kingdom threatened economic reprisals against the Common Market when the talks on the proposed Free Trade Area broke down. It was partly to placate the British that the Council of Ministers of the European Economic Community decided to extend the trade liberalisation measures effected on January 1, 1959, to certain other

8. Quoted by William L. Rivers, "Europe's Common Market," Nation, CLXXXIV (January 19, 1957), 59-61.

9. Loc. cit.

countries, including Britain. This was also the alleged motivation of M. De Gaulle's devaluation of the franc in addition to his liberalization of import quotas above that called for by the Common Market timetable.

The British did take action to form an area of free trade on the continent, excluding the Economic Community. On July 20, 1959, representatives of seven nations — Denmark, Norway, Sweden, Austria, Switzerland, Portugal, and the United Kingdom — met to work out a final agreement on an "outer" free trade area. Finland's premier affirmed his intention of considering association in this group.¹⁰

The reaction of the Soviet Union to the Common Market was a typical one. The Soviet government gave a solemn warning to the governments of the Common Market states that the Community would be controlled by the North Atlantic Treaty Organization (N.A.T.O.) for purposes of aggression, and suggested negotiations for a broader trade association on the continent. In their reply to the Soviet note the governments of the Community states reasserted the peaceful intentions of the Economic Community and their determination to pursue their chosen course toward union.

The reactions of businessmen in the United States were as varied as their interests in the export trade with Europe. Those deeply involved in American exports to the Common Market feared the effects of the common external tariff and the increased competition of the large industries in the Community. Investors, on the other hand,

10. Wall Street Journal, July 15, 1959, p. 1.

believed that the new Common Market would be a fruitful field for American capital.

Government officials in the United States were generally favorable to the new Community. Among military men, there was some concern about the possibility of the Community evolving into a neutralist bloc, but the leaders of the movement constantly emphasized the Common Market's orientation toward the free nations of the West.

Opinions of the Common Market among the export people have changed since the announcement about tariff-cut extensions. As the United States is a member of G.A.T.T., American exporters will benefit from the extension of tariff reductions. Also, France completely removed its quota restrictions from 50 per cent of its United States imports. These liberalizations, coupled with the reciprocal-trade negotiations being currently conducted between the Community and the United States, are raising the interest of American businessmen in general, who foresee the possibilities of an ever-expanding trade with the Common Market.

11. Robert Kleiman, "What the New Europe Means," U.S. News and World Report, XLVI (February 20, 1959), 64-66 et seq.

EURATOM

The European Atomic Energy Community (Euratom) was a product of the "new drive" for European unity generally, and of Paul-Henri Spaak's Intergovernmental Committee specifically. Euratom and the Common Market were formalized simultaneously by this committee in Brussels beginning July 9, 1955. Since the Common Market idea was more appealing to the imagination and of more immediate consequence it overshadowed its less impressive partner, the Atomic Energy Pool.

The idea of a Community embracing the efforts of the six Common Market nations in the field of atomic energy was inspired by the realization that the demand for industrial power in western Europe was steadily out-stripping the supply from such traditional domestic sources as coal and hydro-electricity. The states of Europe were becoming increasingly dependent on costly imports of coal and oil.

Atomic energy appeared to be the solution to the rapidly increasing demand for industrial power, but the capital investment required for building an atomic power industry on the continent was deemed beyond the capabilities of the western European states acting separately. This being the case, a pool was proposed of the six nations of the Coal and Steel Community.

Negotiations and talks on the proposal of Euratom -- so named by M. Spaak's Intergovernmental Committee -- were conducted in conjunction with those of the European Economic Community. The treaties

1. John D. Blumgart, Euratom and the Common Market, (New York: American Committee on United Europe, 1956), p. 11.

were signed in Rome together, and both became effective on January 1, 1958.

The treaty for the European Atomic Energy Community provided for Euratom to make use of all the common institutions of the Coal-Steel and Economic Communities. Thus, the Council of Ministers, Parliamentary Assembly, and the Court of Justice, all common to the two Communities mentioned, were to function also for Euratom. The treaty provided a separate five-man executive body to direct the operations of Euratom to be known as the Commission.

Euratom was envisaged by the Spaak Committee as performing the following functions:

1. Establish a joint nuclear research center and schools for training specialists.
2. Build and operate common installations basic to an atomic energy industry.
3. Establish a common market for atomic materials, supplies, equipment, and investment funds.
4. Control the price and supply of nuclear ores and fuels.²

Euratom has had better success at making international friends and negotiating co-operative associations than has its two partner Communities. In a little more than a year from its founding in January, 1958, Euratom has signed international agreements with two major governments and is considering further arrangements with other countries.

The first of these international agreements was a 25-year co-

2. *Ibid.*, p. 11.

operation pact with the United States. The pact was signed in Brussels on November 8, 1958, and went into effect on February 18, 1959;

The Euratom Cooperation Agreement of 1958, between the United States and the European Atomic Energy Community, provides a long-term line of credit for the purchase of reactors and nuclear components for the construction of atomic-power plants within the six-nation area. There are also provisions for the sale or lease to Euratom of enriched uranium fuel for atomic reactors. Finally, funds are provided on a matching basis for research and development in the field of peaceful uses of nuclear energy.³

Two weeks before the United States-Euratom agreement became effective -- on February 4 in London -- the Euratom Commissioners concluded negotiations and signed a ten-year "Agreement for Cooperation with the United Kingdom." This pact will give the Euratom market access to reactors developed by the British. The agreement does not contain financial measures, as does that with the United States, but provides, generally, for the exchange of information, licensing of patents, and a joint program of research and development.⁴

The British have developed a somewhat different style of reactor from those of the United States where enriched uranium is used for fuel. The British have excelled in the field of natural-uranium reactor technology. It is this type of reactor, plus fuel for its

3. "Euratom Reaches Out," Bulletin from the European Community, (Special issue), p. 6.

4. Loc. cit.

operation, that the Euratom market will obtain from the United Kingdom.

In March of 1959, Euratom joined with Austria, Denmark, Norway, Sweden, Switzerland, and the United Kingdom in a venture to construct a new type of nuclear power plant in England. This is a high-temperature type reactor scheduled for completion in 1962.

Plans are also being formulated for the establishment of similar reciprocal and co-operative agreements on atomic energy subjects with the governments of Canada and Brazil.

It is interesting to note that the common market for nuclear products was inaugurated simultaneously with the general Common Market of the European Economic Community, but while the latter market was to take form during a 12 to 15-year transitional period, the Euratom market was established immediately. Not only were internal trade barriers struck down at once, but the external common tariff came into being at the same time.

In conjunction with its agreement with the United States, Euratom has set for its goal the installation of atomic power plants producing one million kilowatts of power by 1963.

Chapter IV

SUMMARY AND CONCLUSIONS

HIGHLIGHTS OF THE PERIOD

The plan for a United States of Europe that French Prime Minister Aristide Briand proposed to the League of Nations in 1929 created none of the excitement and interest that followed Robert Schuman's recommendation of a French-German coal and steel pool to the London Conference in 1950. In 1929, Europe was still steeped in nationalism, but in 1950 that faith in the national state had been shaken by a second world war, one even more terrible than the Great War which had been fought "to end all wars."

The student of history will quickly note a vast difference between the plans of MM. Briand and Schuman. The principal difference lies in the scope and immediate impact of the two plans, but their long-term objectives are the same, namely, the unification of Europe. Where the Briand Plan was inclusive of the total task, the Schuman Plan concentrated on consolidation of the two basic industries, coal and steel. Schuman's coal and steel pool was administered, however, by a supranational High Authority, to which the associated states had to surrender a measure of their national sovereignty. The Schuman Plan was the less painful to nationalist sentiments and sympathies, but the steps toward integration it envisaged were, once taken, irreversible.

The Organization for European Economic Co-operation (O.E.E.C.) had its origin prior to M. Schuman's Coal and Steel Community. It was established among 17 western European countries for the specific purpose of providing a co-operative organ for the administration of

Marshall Plan funds. O.E.E.C. played a significant role in promoting the spirit of co-operativeness among the free nations of western Europe that was necessary to the introduction of the Schuman Plan.

Besides being a major factor in Marshall Plan aid to Europe, the O.E.E.C. has contributed to the liberalization of international trade on the European continent by promoting the freeing and abolition of import quotas. This work was in conjunction with the activities of the General Agreement on Tariffs and Trades which concentrated on the reduction of tariffs.

While the O.E.E.C. provided the background and experience of international co-operation in western Europe, it was M. Schuman's European Coal and Steel Community that marked the noticeable beginning of a strong drive for a union of states.

The installation of the Coal and Steel Community was followed swiftly by an abortive attempt to form a European Defense Community and a European Political Community. The Defense Community was to form a pool of all military forces within the Community and to abolish the separate national armies. The Political Community was to be the next logical step -- the formation of a supranational political authority to insure civilian control of the combined armed forces.

The Defense Community treaty failed of ratification in the French National Assembly in 1954, thus stopping the unified army movement and, for a time, all efforts toward a united Europe. The following year, however, saw the "new drive for European union" launched with the Common Market and Euratom proposals of the Messina Conference.

These propositions were continued through the Venice Conference in 1956, to culmination in the signing of the Treaties of Rome in 1957, and their subsequent ratification.

The European Economic Community and the European Atomic Energy Community went into effect on January 1, 1958, and, together with the Coal and Steel Community, formed a triune European Community having three separate executive organs, but sharing in common a Council of Ministers, a Parliamentary Assembly, and a Court of Justice.

The common market for nuclear products and the General Common Market of the Economic Community became operative on January 1, 1959; the former in a single immediate stage, and the latter in three stages covering a 12 to 15-year period.

The unprecedented situation of three separate executive bodies, each administering a different treaty, operating in the same fields with six national governments, and subject to common institutions presents some interesting situations.

The Court of Justice, for example, is an institution common to the three Communities and, while its function in respect to the Common Market and Euratom are similar, it has differing powers when acting in the field of the Coal and Steel Community. The treaties for the Common Market and Euratom give the Court the power of review. This in itself is a broad authority, whereby the Court may declare acts of the Commission, Council, or Assembly to be null and void by virtue of their being contrary to the treaties.

The Coal and Steel Community treaty carried this power a broad

step farther by conferring on the Court the duty and responsibility of intervening if the functioning of the Common Market should provoke fundamental and persistent disturbances in the economy of one of the member countries. This is a large amount of power to be placed in the Court and offers the possibility of the use of political influence on Court decisions. Of course, the same can be said in regard to the Court's power of review.

Probably the aspect of greatest interest to jurists is the necessity for the Court to rule on its own competency in cases where the matter before the Court is not clearly under the jurisdiction of a particular executive organ. It is easily possible for some phase of the common market to fall within the overlapping sphere of authority of more than one of the executive bodies. In this case the Court would first have to rule as to which treaty was prevailing. Opposition to such a ruling could well cause complications in the relations between the institutions of the European Community.

Discrepancies in the powers of the three executive organs are also noticeable. As was noted concerning the Court, the powers of the two Commissions are similar, but the High Authority of the Coal and Steel Community has a more supranational nature. The High Authority has had considerable success in administering the affairs of the coal and steel pool. It holds and has used the power to issue mandatory directives to the national governments of the Community. It is true that the officials of the High Authority have made judicious use of their rather extensive powers, particularly where they might infringe

on the sovereignty of a member state. The present coal crisis in Belgium is a case in point. The High Authority has called for voluntary action by the member states, and has been refused. With the crisis worsening in the Belgian coal fields and the prestige of the High Authority at stake, that body may yet take coercive action.

It is too early to evaluate the effects of the opening of the Common Market on January 1, 1959, and the related reduction of trade restrictions, but certainly the extension of the Common Market's tariff reductions to G.A.T.T. and the quota liberalizations to O.E.E.C. will go a long way toward easing the tensions and fears engendered by the break-down of the Free Trade Area talks. With the Common Market Commission making a thorough study of the related problems, the indications are for a resumption of negotiations of the European Economic Association in the near future.

Euratom has been successful in negotiating major agreements for co-operation on the peaceful development of atomic energy with both the United States and the United Kingdom. In addition, the Euratom Commission has established relations with the International Labor Organization, the Council of Europe, the International Atomic Energy Agency, and the O.E.E.C.'s European Nuclear Energy Agency -- Euratom participates in the latter's Eurochemic Company.

Currently, Euratom is participating with the United Kingdom, Austria, Denmark, Norway, Sweden, and Switzerland in the construction of a new type of nuclear power plant in England.

THE FUTURE OF THE COMMON MARKET AND THE UNION MOVEMENT

To attempt to predict the future of the European Common Market and the related drive toward political union would be comparable to an attempt to forecast the course of relations between the United States and the Soviet Union. There are simply too many variable factors to consider. Some benefit may be had, however, from a discussion of some of the factors involved.

The current status of the European Community involves three executive organs, each implementing separate treaties, but functioning in co-operation with each other, and subject to common institutions representing the whole six-nation Community. The two Commissions and the High Authority have established regular, weekly joint meetings. In addition to this, joint committee meetings are held on all lower levels. This joint activity will undoubtedly help solidify the three Communities into a co-operative whole.

The future of the movement toward greater political unity, which envisages an eventual United States of Europe, depends to a great extent on the success or failure of the economic Common Market. If the market succeeds, the political integration of the nations involved has, perhaps, a good chance of success. If, on the other hand, the Common Market fails, it is most likely that future attempts to attain western European solidarity will be limited to intergovernmental co-operation on the level of O.E.E.C. and the Council of Europe.

It would seem, therefore, that the success of the Common Market is the key to the unification movement in Europe. The success of

this vast economic experiment seemingly depends on both internal and external factors.

Within the Community itself the biggest imponderable is probably France. The French negotiators at Messina and Venice required the inclusion in the treaty of numerous safeguard clauses, by which one nation (France) could effectively suspend or delay the functioning of the Common Market, particularly the implementation of the timetable. It had been the fear of some proponents of the Community that France would invoke these safeguard clauses and thus curtail or permanently cripple the operation of the market.

The actions of French President de Gaulle has been a pleasant surprise to some observers who feared that the general would promote French nationalism to the point of withdrawing France from the Community. On the contrary, President de Gaulle has taken firm steps to drastically overhaul the French economy and, in the process, effected the much-needed devaluation of the franc. The result was that instead of invoking the safeguard measures, France met its obligations in full when the market opened on January 1, 1959. The measures to bolster the French economy are working, and France appears to be able to compete effectively in the expanded market. Of course, France is subject to frequent political upheavals, any one of which could adversely affect the new Community, but President de Gaulle seems to have secured, for a time at least, a measure of stability for the French government.

Another factor to be considered in regard to France is the close

association of Charles de Gaulle and Konrad Adenauer. Both leaders have declared their determination to bind France and Germany so tightly together as to prevent a recurrence of war between them. The Schuman Plan was designed expressly for this purpose, and Euratom and the Common Market were expansions of the same idea. As long as this purpose prevails, the two countries will undoubtedly exert every effort, on the governmental level, to ensure that the Common Market -- the major tie binding them together -- will be successful.

The major problem of the Common Market from outside its boundaries seems to be its relationship with the other nations of Europe. The Free Trade Area sponsored by the United Kingdom met the determined opposition of France and, to a lesser extent, the other members of the Community. From the French point of view, the Free Trade Area states would receive all of the benefits of the Common Market without accepting any of its responsibilities, and France was not ready to agree to this.

Since the Commission of the Economic Community has undertaken a thorough study of the problems involved, and even France admits the desirability of an economic association between the Common Market and the rest of western Europe, the prospects are good for some mutually agreeable arrangement in the near future. Such a concord is essential for Western unity for, although the Common Market could probably survive alone, the failure to reach a satisfactory agreement could well split O.E.E.C. into two hostile camps, each waging economic war on the other.

A final outside factor to be considered in evaluating the Common Market's future prospects is the trade policy of the United States. American exporters operating in the Benelux region will face rising tariff walls as these countries adjust to the common external tariff (at the same time there will be a fall in French tariffs), and some have already advocated retaliation by raising duties on Common Market products coming to the United States. The move for higher protective tariffs will also increase as Common Market goods become more competitive through the specialization of labor, mass production, and the generally increased efficiency engendered by the large mass market.

If United States trade policy succumbs to the pressure for protective tariffs against European imports, the Common Market may be seriously handicapped; for to live it must export, and the United States is its most important customer.

Present indications are for a favorable United States policy in regard to the European Common Market. The American government has encouraged its formation from the beginning, and has long been an advocate of European solidarity.

It was previously stated that failure of the Common Market would signal the death of the "new drive for European union." Such an event would amount to a near-fatal blow to the hopes and prestige of men such as Robert Schuman, Jean Monnet, Paul-Henri Spaak, and Konrad Adenauer. Also, it is unlikely that France could be influenced to try again in the near future, mainly because of intense French nationalism. Although General de Gaulle has kept France in the European Community,

his return to power has increased in France feelings of sensitivity about national sovereignty and prestige.

It is highly probable that, barring a serious economic slump, and with a satisfactory resolution of the major problems that have been suggested, the European Community will develop into a major economic and political force in the world.

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A SURVEY OF THE DRIVE FOR EUROPEAN UNION,

1947 to 1959

by

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Abstract of a
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The Organization for European Economic Co-operation(O.E.E.C.) was a result of Marshall Plan pressure for co-operation among the states receiving American aid.

The co-operative spirit engendered by O.E.E.C. prompted the formation of the Council of Europe, where the international problems of the members were debated. Conclusions of the Council were addressed to the states, but were not binding. A closer association was sought by men such as Paul-Henri Spaak, Robert Schuman, and Jean Monnet.

The Schuman Plan launched the European Coal and Steel Community, whereby six states -- France, Germany, Italy, Belgium, Luxembourg, and the Netherlands -- pooled their coal and steel industries, and relinquished national control over them.

This was followed by an abortive attempt to form a common European army and a common political community. The effort failed in the French National Assembly in 1954.

The following year brought the "new drive for European union" led by MM. Schuman and Monnet. The result was the establishment of the European Economic Community (Common Market) and the European Atomic Energy Community (Euratom) in January of 1958. Complications in the relations between the Community and the other western European states -- particularly the United Kingdom -- have yet to be resolved, but negotiations are currently being conducted. The effectiveness, even the very existence, of the Common Market and the unity movement may well depend on the result of these negotiations.