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## Ever Closer Union

### *From the Schuman Plan to the Economic Community 1950–1958*

The Schuman Plan led to the signature of the European Coal and Steel Community Treaty in April 1951 by a core group of six nations: France, West Germany, Belgium, Italy, Luxembourg, and the Netherlands all adhered to Schuman's invitation. The ECSC was ratified by the parliaments of the six nations in the spring of 1952 and began operations in August 1952. It seemed as if, to quote Jean Monnet's famous address to the first ECSC assembly, "the United States of Europe have begun."<sup>1</sup>

Euphoria, however, was short lived. Following the outbreak of war in Korea in June 1950, the United States pushed hard for West Germany's rearmament and integration into the defense effort of the Western democracies. France fought, shy of such rapid normalization of the West German state. In October 1950, the French prime minister, René Pleven, prompted by Monnet, proposed the establishment of a European Defense Community (EDC) as a way of resolving the problem. This suggestion was less fortunate than the Schuman Plan. The EDC treaty was signed by the six member states of the ECSC in Paris in May 1952. Unlike the ECSC treaty, however, the EDC became the object of a political clash in the country that had originally sponsored it. In August 1954, to the despair of European federalists, a coalition of Gaullists and Communists blocked the EDC's ratification in the French National Assembly.

The differing fates of the ECSC and the EDC underline an important point. The nations of Western Europe were cautious about the amount of national sovereignty that they were prepared to pool in European institutions. The ECSC treaty was ratified because, compared to the original Schuman–Monnet plan, a considerable degree of supervision by national governments was built into the treaty. The EDC treaty, by contrast, represented a remarkable voluntary surrender of sovereignty by the six countries. The treaty passed effective command over national armed forces to the NATO commander in Europe, envisaged a common authority in charge of planning military procurement policy, and anticipated the birth of a European Political Community (EPC): in effect, a federal government for the six nations. The EDC was a

bridge too far—and not only for the French. What its failure taught European governments was that integration was easier in the economic sphere than in those areas, such as defense and foreign affairs, that went to the heart of national sovereignty, and that even within the economic sphere, national governments were not going to leave supranational institutions to operate unsupervised.

The treaty establishing the European Economic Community (EEC), signed in Rome in March 1957, reflected this lesson. The EEC treaty built upon the liberalization of trade launched at the beginning of the 1950s by the creation, under the auspices of the OEEC, of the European Payments Union (EPU), by setting up a customs union. The economic area thus created was to be governed, for the most part, through institutionally enshrined interstate negotiations. Nevertheless, the EEC treaty was broadcast as a new step in a process that would lead to “ever closer union” and eventually to “political union,” a phrase whose meaning would remain hazy, or at any rate contested, for the next fifty years.

Statesmen doubtless believed their own rhetoric. Academic theorists might have been expected to keep a cooler head. Instead, the “functionalist” school of international relations, whose leading figure was the American scholar Ernst Haas, discerned an irreversible trend toward greater political integration among the countries of Western Europe. As Europe’s institutions began to influence daily economic life across The Six, Haas argued, a process of “spillover” would occur: Community institutions would substitute national institutions as the point of reference for political action, and the nation-states would—it is tempting to say—wither away.

This teleological interpretation of European integration has influenced scholarly interpretations of European integration ever since, although, with hindsight, it is as much a 1950s period piece as automobiles with fins or the hula hoop. The member states had no intention of giving up their prerogatives—but were genuinely minded to cooperate with one another, for very good, mostly economic, reasons. In the 1950s, taking full advantage of the benign American attitude to their endeavors, they tentatively experimented with different forms of cooperation, some of which found favor, others of which did not.

## **THE COAL AND STEEL COMMUNITY**

The treaty instituting the ECSC was signed in Paris on April 18, 1951, after an acrimonious negotiation. Even after the treaty was signed, the wrangling continued. The decision over where to base the High Authority was particularly fierce. Liège, Strasbourg, Saarbrücken, and Turin were all mooted. Luxembourg, 80 percent of whose economic production was derived from its coal and steel industries, was the compromise eventually arrived at in a July 1951 meeting of The Six’s foreign ministers. It was during this meeting that Konrad Adenauer was overheard by journalists to mutter “poor Europe, poor Europe” as he stalked out of the talks for a reviving cup of coffee.<sup>2</sup> The pattern for all future negotiations involving a significant reduction of national prerogatives had been set.

The preamble to the ECSC treaty expressed lofty sentiments in striking contrast to the jockeying for national advantage that characterized negotiations both before and after the

ratification of the treaty. The “High Contracting Parties” recognized that “Europe can be built only through practical achievements which will first of all create real solidarity and through the establishment of common bases for economic development” and hence resolved to “substitute for age-old rivalries the merging of their essential interests.” Their intention was to create “the basis for a broader and deeper community among peoples long divided by bloody conflicts and to lay the foundations for institutions which will give a direction to a destiny henceforth shared.”

The economic philosophy of the new organization recalled the proposals made by the economic subcommittee of the Congress of Europe. The ECSC was intended to ensure the twin goals of economic liberalism and social solidarity. On the one hand, the ECSC was an effort to prevent protectionist cartels in the coal and steel industries; on the other hand, it was a planning body charged with softening the social costs of modernizing the industries.

The treaty defined the ECSC’s tasks, among other things, as ensuring a steady supply of coal and steel to the market, guaranteeing equality of access to the sources of production for all consumers, monitoring prices, providing a climate that would encourage companies to expand and improve production, and promoting “improved working conditions and an improved standard of living for the workers in each of the industries for which it is responsible.” More generally, it was to “promote the orderly expansion and modernization of production, and the improvement in quality, with no protection against competing industries that is not justified by improper action on their part or in their favor.” Article 4 of the treaty specifically banned import and export duties, quantitative restrictions, discriminatory deals, state subsidies, and market-sharing deals between companies.

The most distinctive institution of the new Community was the High Authority. Consisting of nine members, it was “responsible for initiating and framing most of the measures needed to administer the common market.”<sup>3</sup> Eight of these nine members were nominated by governments (France and Germany choosing two, the other four countries nominating one); the ninth member was selected by the eight nominees. All members served six-year terms and elected a president and two vice presidents from among their own number. The first president, unsurprisingly, was Jean Monnet; his two deputies were the German Christian Democrat Franz Etzel and the Belgian Albert Coppé, who became one of Monnet’s most steadfast supporters.<sup>4</sup> The treaty bound the nine members of the Authority to “exercise their functions in complete independence, in the general interest of the Community. In the fulfillment of their duties, they shall neither solicit nor accept instructions from any government or any organization. They will abstain from all conduct incompatible with the supranational character of their functions.”

Monnet’s favorite way of disparaging an institution was to compare it to the OEEC, which he regarded as a byword for futility.<sup>5</sup> The High Authority that emerged from the ECSC treaty was, by contrast with the OEEC Secretariat, a body with far-reaching independent powers. It could impose fines upon firms that defied its decisions or recommendations; it could facilitate investment by floating loans on the capital markets and then relending the money for investment purposes; it could soften the social costs of industrial modernization by financing vocational retraining, resettlement programs, and “tide over” allowances to workers; during times of

“manifest crisis,” it was free to set production quotas in order to prop up demand. In addition to these wide-ranging powers, the High Authority held a broad antitrust brief and was charged with protecting the common market from anticompetitive mergers, pricing policies, or wage reductions. A Consultative Committee of fifty leading producers, trade unionists, and consumers dispensed advice to the High Authority whenever it asked for it.

There were three principal checks on the High Authority’s powers. The Authority’s actions and decisions were second-guessed in many areas by the Council of Ministers, which was given the task of harmonizing “the action of the High Authority and that of the governments, which are responsible for the general economic policies of their countries.” The Council’s approval was necessary for a broad range of policy actions by the High Authority, especially labor issues, transport, and the sale of coal and steel products. The Council was given a limited power to set the High Authority’s agenda and exercised a tight control over its budget. The Council, at which the national governments were usually represented by their economics or industry ministers, thus became a powerful *de facto* legislature able to block (though not amend) the High Authority’s initiatives.

The second political check on the High Authority was the Assembly, which consisted of seventy-eight “representatives of the peoples of the States” drawn from national parliaments. The Assembly’s powers were “supervisory.” It had no legislative function. The Assembly was able to demand oral or written replies from members of the High Authority and possessed the power, under article 24 of the treaty, to censure the High Authority’s annual report. In the event of such a motion of censure being passed by a two-thirds majority of votes cast, the High Authority was obliged to resign en bloc. The Assembly was also able to intervene in the budget process. The budget was funded by a levy not exceeding 1 percent on the “average value” of production within the Community, although only under Monnet’s presidency (1952–1955) did it come close to raising and spending such a portion of the industries’ income.

The third checking institution was the Court of Justice. The Court was originally composed of seven judges appointed by the governments of the member states for a period of six years. The treaty was explicit in stating that the judges should be people “whose independence is beyond doubt.” The Court’s powers were very precisely detailed in article 33 of the treaty:

The Court shall have jurisdiction in actions brought by a Member State or by the Council to have decisions or recommendations of the High Authority declared void on grounds of lack of legal competence, major violations of procedure, violations of this Treaty or of any rule of law relating to its application, or abuse of power.

The Court, in other words, was to be a watchdog over the High Authority. Within the Community, its word was law. But its power was unidirectional: firms, citizens, and the High Authority itself could not have recourse to the Court to have national law or administrative directives declared invalid. Despite this caveat, the Court was soon busy and settled several important complaints against the High Authority within the first few years of the ECSC’s life.<sup>6</sup>

The novelty of the ECSC treaty was indisputable. Instead of national governments making decisions in the short-term interest of their domestic industries, with little or no thought for the knock-on effects over their borders, the six member states had delegated executive powers to an independent authority. The states were merely reserving to themselves a circumscribed right

of veto over the High Authority's decisions and the right to ask for judicial review of the Authority's actions. The egoism of nation-states was to be substituted, in the economic sphere at least, with enlightened planning in a specially created institutional forum. It was this commitment to internationalist principle, not the actual experience of the Community in its first few years of existence, which guaranteed the ECSC the laudatory reception it enjoyed in the halls of academe, especially in the United States.<sup>7</sup>

The truth is more prosaic. If one looks at the activities of the ECSC between February 1953 (when the common market in coal was instituted) and February 1958 (the end of the five-year "transitional period" during which all market-deforming practices were supposed to be eliminated), one sees that the Community played a useful, though limited, role in enabling the six member states to wrestle with the social and economic problems presented by two industries of great importance. The High Authority, which Monnet presided over until 1955 when he resigned and was substituted by the senior French politician René Mayer, propped up high-cost Belgian mining areas until 1958 by imposing an equalizing levy on the sales of cheaper German and Dutch coal (but still took the blame when the mines eventually had to be rationalized) and made notable attempts to inject a degree of competition into the market for coal purchasing, a politically sensitive question. It also successfully managed to obtain a generous loan from the American government and to float other loans on the American capital markets. These loans were then used for investment purposes, although the amount of ECSC investment was only a small fraction of private investment in the same period. Overall, steel production rose by over 40 percent during the transitional period, and trade in steel products and scrap also increased greatly. These last successes, however, owe more to the general rapid expansion of the European economy in these years than to the activities of the ECSC.

On the other hand, the market for coal and steel products was still anything but free in 1958. The High Authority rapidly discovered that it could not establish a common market by decree. Italy's domestic market in steel was still highly protected (Italy having won a five-year exemption in a protocol to the original treaty), and governments possessed an array of devices—currency devaluation, sales taxes, rebates, and subsidies of all kinds—that enabled them to advantage domestic producers.<sup>8</sup> Governments defended national champions tenaciously. The French national coal import agency, for instance, which restricted permits to a handful of dealers purchasing large quantities of coal and coke, was defended tooth and nail by the French government before the Court of Justice and in 1958 still had its powers intact. Overall, as the transitional period wore on, the High Authority became more and more reluctant to take initiatives without the prior approval of the Council of Ministers. The worsening situation of the coal industry, which was in decline as industry increasingly switched to oil, posed severe social problems that the High Authority had neither the financial resources nor the will to handle on its own.<sup>9</sup>

## **THE DEFENSE COMMUNITY**

Like the ECSC, the European Defense Community (EDC) began life as a French improvisation to the rehabilitation of West Germany. The Bundesrepublik was founded in August 1949, but it

remained under the tutelage of the so-called High Commission for Germany. This body's task was to keep vigil over the actions of the new German government. West Germany was denied the right to maintain armed forces, could not join NATO or the Brussels Pact, and was excluded from the United Nations. France was willing to remove Germany's pariah status in economic matters, but defense issues were altogether more sensitive for the French government, which had to be mindful of the French Communist Party's capacity to stir up mischief among public opinion on such a delicate subject. Nevertheless, if one assumed—and both French and American policymakers did—that the Soviet Union's intentions were aggressive, then West Germany's strategic importance was undeniable. The Soviet Union had superior ground forces and was in a position to strike across the north German plain at a moment's notice. This mattered less while the United States possessed a nuclear monopoly, but after the USSR exploded its first A-bomb in the summer of 1949, the West's front line effectively became the Rhine. U.S. policymakers decided that the only logical course of action was to rearm Germany as fast as possible.<sup>10</sup>

The United States was unwilling to press the French too hard to accept German rearmament until June 1950, when North Korea invaded its southern neighbor. The similarity of Korea to Germany—a country divided between communist and pro-American halves—could not but arouse alarm in the NATO countries. The invasion seemed like a prelude to an attack in Europe. In September 1950, at a meeting of the NATO foreign ministers, the United States committed itself to sending six fully equipped divisions to Europe, but asked its European allies, as a *quid pro quo*, to drop opposition to the militarization of West Germany. The French government, stuck, turned to Monnet for help. Monnet reverted to a tried (though not yet tested) formula: a European Community for defense matters similar to the one then under negotiation for coal and steel. Instead of Schuman, the spokesman for Monnet's ideas was, this time, the prime minister, René Pleven.

The Pleven Plan was announced on October 24, 1950. The plan envisaged the creation of a European Ministry of Defense responsible to an assembly and to a council of national defense ministers. The Ministry of Defense was to organize defense administration (procurement, planning, links with the war industries), not strategic questions; all national governments except West Germany were to retain independent military forces. Germans would, however, have participated in so-called integrated units, though not at more than battalion strength.

American policymakers initially reacted with “consternation and despair” to the Pleven Plan. General Dwight D. Eisenhower said that it contained “every kind of obstacle, difficulty and fantastic notion that misguided humans could put into one package.”<sup>11</sup> Naturally, as president, he later became one of the Defense Community's most passionate defenders, although, in fairness, the Pleven Plan had been redesigned by then.

The process of redesign began in Paris between January and July 1951 when delegations from all the ECSC countries except the Netherlands (which, along with Britain, Canada, Denmark, and Portugal, sent observers) agreed to create a European Authority for defense questions. Adenauer, however, insisted that West Germany should participate on the same basis as everybody else and that the Occupation Statute, which gave the High Commission its

supervisory authority, should be scrapped. The Americans, in the meantime, had been convinced by Monnet's personal diplomacy to back the scheme. They insisted on explicit guarantees that the new Community would be subject to NATO at the operational level. Britain, which was governed by the Conservatives from the autumn of 1951, never thought of entering the Community.<sup>12</sup>

Between the autumn of 1951 and the spring of 1952, two separate negotiations to abolish the Occupation Statute and to create the Defense Community were conducted. At a meeting of NATO foreign ministers at Lisbon in January 1952, France finally dropped her opposition to the formation of a German army. It was agreed that the Community would place forty-three divisions of approximately thirteen thousand men each at NATO's disposal, of which Bonn would contribute twelve. Despite a determined effort to block the creation of a European army by the USSR, which proposed the neutralization of Germany in a diplomatic note on March 10, 1952, the treaty establishing the European Defense Community was signed by the six ECSC nations (the Netherlands had chosen to participate) in Paris on May 25, 1952; the Occupation Statute was ended, subject to the ratification of the EDC treaty, in Bonn the following day.

The EDC treaty represented the largest single cession of sovereignty made by the countries of Western Europe until the Treaty on European Union in 1992 (see chapter 7). Sovereignty over defense policy was surrendered on the one hand to the EDC, which was described as "supranational in character, comprising common institutions, common armed forces [article 15 specified that they would wear a common uniform] and a common budget," and on the other hand to the United States, which under the treaty would have taken over the day-to-day control of all armed forces within the European theater of war. Article 18 of the treaty stated that "the competent supreme commander responsible to NATO [who was perforce an American] shall . . . be empowered to satisfy that the European Defense Forces are organized, equipped, trained and prepared for their duties in a satisfactory manner." Member states could "recruit and maintain" independent of the EDC only armed forces that were destined for "a serious emergency affecting a non-European territory for which a member state assumes responsibilities of defense" or else were intended for the maintenance of "internal order" (i.e., French gendarmes or Italian carabinieri). Deployment outside Europe, the treaty stressed, must not affect any nation's contribution to the common defense effort.

The Defense Community was given basically the same institutional structure as the ECSC. A nine-member "Commissariat" was to act as the Community's executive and was to report to an Assembly and a Council of Ministers. There was, however, no figure corresponding to the president of the ECSC High Authority, since such an office would have been tantamount to creating a minister for European defense. The Council, too, was stronger than its ECSC equivalent (the Commissariat could not make decisions or make recommendations without its consent) and would inevitably have become the Community's dominant decision-making force. This institutional structure was, however, specifically stated to be "provisional" in character. Article 38 of the treaty, inserted at Italian insistence, asserted that the EDC was only a prelude to the establishment of "a subsequent federal or confederate structure."<sup>13</sup> In August 1952, the Assembly of the ECSC began drawing up a blueprint for a European Political Community

(EPC) that would have coordinated the foreign policies of the member states and would have gradually absorbed the functions of the ECSC and the EDC.

By March 1953, the Assembly had completed this job. The EPC was to have consisted of a bicameral Parliament, an Executive Council, a Council of Ministers, and an empowered Court of Justice. The Parliament was to have been composed of a Chamber of Peoples (a directly elected assembly) and a Senate, which would have been drawn from the national parliaments. The Senate would have had the key power of nominating, in a secret ballot, the president of the Executive Council. The president would then have had a free hand to choose a cabinet of ministers. The Executive Council would then have become the federal government of the Community. All its major decisions, however, to be promulgated as law, would have had to be submitted and approved by a simple majority of the Chamber of Peoples and the Senate. The Court of Justice would have provided the nation-states with judicial review of the constitutionality of the EPC's laws.<sup>14</sup>

The boldness of this vision testifies to the mind-set of the European federalists at this time. In their view, the challenge of organizing a common defense for Europe and planning Europe's economy necessitated "a great 'contractualist' effort to overcome the gradual and sectoral character of European integration in order to arrive at the political union of Western Europe."<sup>15</sup> Even though the member states, in a series of meetings between their foreign ministers, immediately tinkered with the Assembly's proposals in order to strengthen the role of the member states, it remains true that the EPC was a bold expression of the federalist ideal.

Washington was delighted with these developments. Both Eisenhower, who became president in January 1953, and Secretary of State John Foster Dulles were committed supporters of European unification.<sup>16</sup> Dulles, moreover, was more willing than Acheson to prod the Europeans. Between 1949 and 1952, the United States had committed \$12 billion in military and civil aid to Europe and had placed procurement contracts worth hundreds of millions more.<sup>17</sup> Dulles thought that it was time that the United States was paid back by concrete steps toward political unity.

The process of ratification met opposition in France. Getting the treaty through the National Assembly, where there was strong Gaullist (the supporters of the Free French war leader, Charles de Gaulle) and Communist opposition, and much anti-German feeling, required strong leadership. But this was in short supply. Between May 1952 and May 1954, when the army protecting France's colonial holdings in Indochina was humbled by the Vietnamese at the battle of Dien Bien Phu, France had three premiers (Antoine Pinay, René Mayer, and Joseph Laniel) who preferred to postpone ratification of the EDC treaty. French procrastination eventually caused the Eisenhower administration to lose patience. In December 1953, Dulles warned that the United States would have to undertake an "agonizing reappraisal" of its defense commitments if France did not pass the EDC treaty.<sup>18</sup>

Matters were complicated by the French defeat in Vietnam, which drove the pro-European Mouvement Républicain Populaire (MRP) from power in Paris and led to the austere figure of Pierre Mendès-France becoming prime minister. Aside from de Gaulle, Mendès-France was "the strongest political personality to have emerged in France since the war."<sup>19</sup> Mendès-France,

moreover, was suspected in Washington of being a Cold War neutral. Dulles nevertheless was determined to put the case for immediate ratification of the EDC treaty as strongly as he could. On July 13, 1954, he visited Paris, where he bluntly told the French premier that the United States could always opt to defend the European periphery (Britain, Spain, Greece, Turkey) and leave France to face the USSR on her own. Mendès-France responded that the National Assembly would never pass the treaty in its then form. Rejection would be a propaganda disaster. It was better to amend the treaty in order to win over undecided members of the National Assembly.<sup>20</sup>

Mendès-France put forward a list of amendments to a meeting of the EDC powers in Brussels on August 19, 1954. Among other things, he proposed introducing an eight-year national veto over the Board of Commissioners' actions; asked that article 38 (authorizing the EPC) be deleted; and requested the right to withdraw from the treaty if Germany were reunited. These amendments infuriated France's partners, especially West Germany, where the government was under pressure to get results from its controversial policy of Westpolitik (as Adenauer's opening to the French since 1950 was known). The German foreign minister Walter Hallstein vented his feelings at the French move by saying, "Mendès has just presented us with the corpse of Europe."<sup>21</sup>

Mendès-France eventually allowed the unamended EDC treaty to be debated in the National Assembly at the end of August 1954. It was rejected by 319 votes to 264 after a debate whose chauvinism shocked free Europe. Opponents of the treaty used four main arguments. First, they feared that France would be swallowed up in a European superstate if they voted for the treaty. Edouard Herriot, who had been the patron of the French Council for a United Europe and had attended the Congress of Europe in 1948, proclaimed that "for us the European Community is the end of France . . . it is a question of the life and death of France." The treaty was held to be the work of a handful of technocrats (de Gaulle had darkly called Monnet "the inspirer" in a November 1953 press conference and had condemned the EDC treaty for good measure as "an artificial monster" and a "Frankenstein") who were working behind the scenes to reduce France's independence.<sup>22</sup> Second, French legislators worried that the proposed European army would rapidly be Germanized. Distrust of German motives was voiced openly. Third, many deputies thought that the treaty would cut France off from the French Union, as its empire in Africa was now renamed. Fourth, national pride was a major factor. Britain had not signed the EDC treaty, and the United States did not seem to expect her to. France should not lower herself to the level of what one deputy called "two defeated and three tiny countries" if Britain and America did not do the same.<sup>23</sup>

When the result was announced, the anti-*cédistes*—Communists, Gaullists, renegade Christian Democrats, and Socialists—burst into a spirited rendition of "La Marseillaise." In response, Dulles sourly commented, "It is a tragedy that in one country nationalism, abetted by communism, has asserted itself so as to endanger the whole of Europe."<sup>24</sup>

Jean Monnet wrote that the EDC "quarrel" had been a "harrowing split" (*déchirement*) for France.<sup>25</sup> But France, in a sense, was the least of the problems. Germany was left, four years on from the Pleven Plan, without statehood, the Americans were bereft of ideas, and European

federalists had been reminded that rumors of the death of national sovereignty were greatly exaggerated.

Britain, in the person of Foreign Secretary Anthony Eden, stepped into the breach with a burst of intelligent diplomacy. The British solution was to extend the Brussels Pact to Germany and Italy.<sup>26</sup> On October 23, 1954, the Brussels powers agreed to terminate the occupation of Germany, to establish a new body called the Western European Union (WEU) with Italy and West Germany as members, to permit West Germany to join NATO, and to draw up a “European Statute” for the Saar-land (which had been a bone of contention between France and West Germany throughout the EDC saga). Britain pledged it would maintain military forces in West Germany, while Germany pledged it would abstain from possessing certain categories of weapons (nuclear bombs, guided missiles, capital ships). An agency to monitor and audit national stocks of armaments was set up.

The treaty setting up the WEU retained the Brussels Pact’s preamble, stating that one of its goals was “to encourage the progressive integration of Europe,” but nobody was fooled. Monnet later described the new body as “a typical military alliance” and a “weak coordination structure” destined to “vegetate,” but it would be more accurate to describe it as talking shop.<sup>27</sup> The WEU did draw up a plan to “Europeanize” the Saarland, but it was rejected by popular referendum on October 23, 1955, and the region eventually became part of West Germany.

The EDC debacle persuaded Monnet that he should devote his main activity to proselytizing for European unity among the political class of The Six. He left his post as president of the High Authority to do so. Other prointegration statesmen concluded that the best way of relaunching the European project was to work for trade liberalization.

## FROM MESSINA TO ROME

Trade liberalization was a natural outlet for the energies of supporters of European integration. Unlike defense, trade was an area in which integration was already proceeding apace. This was largely due to the much-derided OEEC. In the immediate postwar years, most trade was conducted on the basis of bilateral deals between countries. As Robert Marjolin pointed out in his memoirs, such deals stifled economic growth. If France, for example, derestricted imports from Belgium and Belgium’s trade balance with France moved into surplus as a result, for trade as a whole to continue to grow, Belgium had to be able to use her credit with France to buy goods from other countries.<sup>28</sup> Europe’s producers were in effect being limited to their own, relatively small, domestic markets or to such markets abroad as their national governments could negotiate for them. Bureaucrats, rather than the market, were determining the volume of trade.

Liberalizing the market was one of the OEEC’s primary tasks, along with disbursing Marshall Plan aid. The biggest step in the pursuit of freer trade brokered by the OEEC was the establishment of the European Payments Union (EPU) in September 1950. The EPU is usually described as a “multilateral clearinghouse”—in effect, a kind of bank. To join, each OEEC member state contributed a fixed quota of capital, in its own currency, equal to 15 percent of its total visible and invisible trade with other OEEC countries. The United States also

contributed \$350 million to the EPU's capital. Each month, the central banks of the OEEC member states were required to keep a tally of their payments to other OEEC countries and the payments of others to them. At the end of every month, they communicated this information to the EPU's agent, the Swiss-based Bank of International Settlements (BIS), which summed up the aggregate balance of payments of each of its member states and made a deposit, partly in credits redeemable in any OEEC currency, partly in gold and dollars, to the states that had an overall surplus. It made a parallel deduction from the balance of the debtor states. The member states were entitled to an "overdraft" in credits of up to 20 percent of their quota at any one time; thereafter, the Union increasingly demanded payment in gold or dollars. No country was allowed to run up debits exceeding 60 percent of its original quota. Countries with persistent balance-of-payment deficits were therefore compelled either to follow domestic austerity to reduce demand for imports or to devalue their currency—in other words, to reduce their citizens' standard of living.<sup>29</sup>

The EPU thus introduced greater flexibility into European trade. Countries could run deficits with countries that had products or raw materials they needed to boost production. In the meantime, the OEEC presided over the gradual elimination of nontariff barriers such as quotas. By the mid-1950s, quotas on trade in manufactured goods had been almost abolished across the OEEC.

Equally important, mental barriers were dismantled. Countries with long protectionist traditions such as Italy—under fascism, outright autarky had been the regime's goal—were persuaded that a liberal trade policy would enable them to modernize more rapidly. The Italian foreign trade minister in the early 1950s, Ugo La Malfa, lowered or eliminated tariffs on imported goods from other OEEC countries, calculating, correctly, that this policy would make Italian industry more efficient and pay for itself by boosting exports. By the mid-1950s, Italy had won a reputation as one of the most determined liberalizers in the OEEC. This outcome owed much to La Malfa's drive, but much also to the environment created by the OEEC, which enabled La Malfa to make the case for freer trade to government colleagues whose mind-set was instinctively protectionist.<sup>30</sup> Cases such as that of Italy explains why Robert Marjolin insisted in his memoirs that without the trade liberalization set in motion by the activities of the OEEC, it was "unlikely that the Common Market would have seen the light of day."<sup>31</sup>

Nevertheless, although quotas on manufactured goods had been sharply reduced, tariffs on industrial goods remained very high, subsidies abounded, and agriculture was jealously protected. After the debacle of the EDC, further action to boost trade seemed the most promising avenue for cooperation within The Six. The initiative was taken by the Dutch, whose foreign minister, Jan Willem Beyen, was a convinced enthusiast of free markets. In 1954, Beyen began to press for the creation of a customs union between The Six in which all forms of trade discrimination were abolished.<sup>32</sup>

Beyen's proposals were flanked by new initiatives from Monnet and Paul-Henri Spaak to promote ECSC-like integration in the fields of transport and, above all, nuclear energy. On May 18, 1955, the Benelux countries submitted a memorandum incorporating both Beyen's and Monnet's ideas to the foreign ministers of The Six. The memorandum became the agenda for

the foreign ministers' summit meeting at Messina in Sicily on June 1–2, 1955. At Messina, the foreign ministers rhetorically agreed that the time had come to make “a fresh advance towards the building of Europe.” This advance would be achieved by progress in three fields: sectoral integration in transport and nuclear energy; “the establishment of a European market, free from all customs duties and all quantitative restrictions”; and the “progressive harmonization” of social policies.<sup>33</sup> A committee of governmental representatives, chaired by Paul-Henri Spaak, was charged with the “preparatory work” for these new moves toward integration, to which Britain was also invited to contribute.

To many in Europe, Messina seemed a damp squib. For all the rhetoric of a “European advance,” the nations of The Six were plainly reserving their position until Spaak had produced concrete proposals. Monnet, however, was determined to keep the pressure on the national governments. To this end, he established an “Action Committee” composed of leading members of all of Europe’s Social Democratic, Liberal, and Christian Democratic political parties, plus representatives of the organized workers.

This body held its inaugural meeting in October 1955. All its founding members pledged themselves to three broad promises. First, they would all ask their own parties or unions to affiliate to the Action Committee and would act as delegates to the Committee on behalf of their own organizations. Second, they stated that they would use their institutional position to ensure that the Messina conference’s resolution became a “real step towards the United States of Europe.” Third, they would put aside all “specious solutions” to Europe’s problems that were based upon “mere cooperation between governments.” The Committee’s founders agreed that it was “indispensable for states to delegate certain of their powers to European federal institutions.” The “close association” of Great Britain with such “achievements” was greatly to be desired.<sup>34</sup>

In practice, the Action Committee became a lobbyist for supranational supervision and the development of nuclear energy. Between its first meeting in October 1955 and the signature of the Treaties of Rome in March 1957, the Action Committee met twice (in January and September 1956). The final “resolutions” of both meetings stressed almost exclusively the potential of atomic energy for the future of Europe and relegated the construction of the common market almost to a footnote.

The Action Committee’s reasons are easy enough to understand. Its members believed that Europe was facing an energy crunch in the near future. The “growing deficit in power supplies,” they argued during their September 1956 meeting, was “the most grave and urgent problem for our countries” and exposed them to “dangerous threats to peace.” Unlike the United States or the USSR, Western Europe was the “only great industrial region of the world that does not produce the power necessary to its development.” The September 1956 resolution stated that fuel dependency of this order would result in “insecurity and permanent risks of conflict.”<sup>35</sup> Monnet, advised by the French scientist Louis Armand, believed that investment in nuclear energy could fill this gap, if The Six were prepared to pool their resources.

Nuclear energy did indeed occupy an important place in the discussions of Spaak’s

intergovernmental committee and in the bargaining between national governments that followed the submission of his committee's report in April 1956. Spaak's report combined recommending the establishment of a customs union between The Six, with full backing for Monnet's ideas for a nuclear energy authority to plan and develop the nonmilitary use of nuclear energy (Euratom). The two new communities, the report proposed, should be administered by commissions of government-nominated officials. The ECSC Assembly and Court of Justice would serve both of the new organizations.<sup>36</sup>

The Spaak Report was accepted in principle at a meeting of The Six's foreign ministers in Venice on May 29–30, 1956.<sup>37</sup> An intergovernmental conference was established under Spaak's chairmanship and began its work at the end of June 1956. During the conference, France, which had big ambitions for the civil and military use of nuclear power, pressed for acceptance of Euratom, but dragged its feet over the customs union. The German government, by contrast, believed that The Six should collectively refrain from the military use of uranium and insisted that there was a *Junktin* (link) between a deal on trade and a deal on nuclear power. Bonn was not prepared to let Paris have one treaty without the other.<sup>38</sup>

So far as trade in manufactured products was concerned, the Benelux countries and West Germany were free traders, while France was protectionist. Italy hovered between the two. Economics minister Ludwig Erhard favored opening Europe's markets for industrial products as fast as possible. Marjolin describes him as "a universalist, a fervent advocate of total freedom of trade on a world scale."<sup>39</sup> Influential sections of German business supported him by pressing for the full liberalization of trade in manufactured goods throughout the OEEC.<sup>40</sup>

Erhard, however, did not set Germany's negotiating position. Chancellor Adenauer, who had risked much for Westpolitik, was not prepared to press the French government further than she would go. The negotiation, as Marjolin (one of the chief French negotiators) records, thus "depended on us." With France's agreement, anything was possible, "including a common market based upon the principles of liberalism." Without France, "all roads were barred."<sup>41</sup>

The initial reaction of French officialdom to the Spaak Report was "icy."<sup>42</sup> Powerful industrial lobbies and entrenched state bureaucracies all foresaw a loss of influence if the Spaak proposals were accepted. The French government's official response to the Spaak Report, circulated in May 1956, insisted that liberalization of trade between The Six would be contingent upon welfare arrangements being harmonized upward until they were on a par with the most generous system within the Community—France's, naturally. France insisted that the common market should cover agricultural goods (a recommendation of the Spaak Report, but an unpopular one with West Germany) and highlighted the special difficulties that a customs union would imply for France, with its large number of dependent colonies. Marjolin notes that the agenda of all subsequent talks was chiefly concerned with the need to get France to drop its more obstructive positions.<sup>43</sup>

French reservations to the Spaak Report were such that it seems almost miraculous that a compromise was eventually found. Britain, for one, believed almost to the last that no agreement would be reached. The leading British politicians were too concerned with Britain's global role to worry about her neighbors, and the civil servants, as in 1950, were

convinced that the post-Messina talks “would not lead anywhere.”<sup>44</sup>

Britain nevertheless participated in the original committee set up at Messina, sending, at the behest of Foreign Secretary Harold Macmillan, an observer, albeit one without plenipotentiary powers. The British representative, a former Oxford don named Russell Bretherton, was a mere undersecretary in the Department of Trade. Bretherton, who was a gifted economist, made matters more complicated for Whitehall by contradicting received wisdom. The process begun at Messina, he argued privately, was serious, “indistinguishable from the OEEC,” and likely to succeed. Whitehall refused to listen. Bretherton was recalled from the talks in November 1955. Upon leaving, he stated the official British position succinctly: “The treaty has no chance of being concluded; if it is concluded, it has no chance of being ratified; and if it is ratified, it has no chance of being applied.”<sup>45</sup>

As the multiple French objections to the Spaak Report became clear in the summer of 1956, Britain sought to take advantage of the stall in the talks. In October 1956, in a move that has often been interpreted as an attempt to sabotage the construction of an Economic Community, Britain floated a proposal to create a Free Trade Area (FTA) in manufactured goods throughout the seventeen states of the OEEC. “Plan G,” as the scheme was known inside the British government, would have put Britain at the center of two preferential trading systems (the Commonwealth and the proposed FTA). Britain would have been free to import wool from Australia and sell expensive sweaters, tariff free, to the continent. The scheme nevertheless appealed to the many free traders in the Netherlands and Germany, who objected to “little Europe” separatism.<sup>46</sup>

The deadlock between The Six was broken, however, in the wake of a disastrous outcome of an Anglo-French military adventure: Suez. On October 31, 1956, British and French troops, ostensibly acting to “separate” clashing Israeli and Egyptian forces, began air attacks on Egyptian forces guarding the Suez Canal, which Egyptian president Gamal Abdel Nasser had nationalized in July. Troop landings followed on November 5–6. Both the United States and the Soviet Union (which was itself crushing revolt against Communist rule in Budapest) condemned the Anglo-French attack, and the world currency markets were spooked. A run on the pound began, and along with America’s hostility to the invasion, the financial panic caused the Eden government to lose its nerve on the night of November 6–7 and concede a cease-fire, even though military objectives were being successfully achieved.<sup>47</sup>

The French government, presided over by the Socialist Guy Mollet, was left high and dry. Only as part of a united Europe, Mollet argued, could France be on an equal footing with the Americans.<sup>48</sup> Marjolin says that Mollet “felt that the only way to erase, or at least lessen, the humiliation France had just suffered from the Suez affair was to conclude a European treaty quickly.”<sup>49</sup> The French premier was encouraged in such views by Chancellor Adenauer of Germany, who visited Paris at the height of the crisis.<sup>50</sup> Adenauer allegedly told Mollet, “Europe will be your revenge.”<sup>51</sup> After the chancellor’s visit, France modified its insistence upon the harmonization of social and labor market policy as a prerequisite for a full customs union. She now accepted that member states would merely be obliged to do what they could to bring about such harmonization.<sup>52</sup> By early 1957, the Germans had also conceded that France

could develop an independent nuclear policy for military purposes and were agreed on Community financing of France's overseas empire. The way was open for the signature of both the Euratom and EEC treaties. As Winand has wryly observed, Dulles "probably contributed more to European unification by refusing to back the French and British at Suez than by vigorously pushing for the EDC."<sup>53</sup>

For Britain, therefore, Suez was a dual foreign policy catastrophe. She had incensed the United States, her closest ally, but had also given an unwelcome shot in the arm to the negotiations started at Messina. Eden resigned in disgrace in January 1957, and Harold Macmillan took his place as prime minister. Macmillan faced a difficult dilemma. Britain would shortly find herself outside the common tariff wall erected by The Six upon the establishment of a customs union. Although Britain only sent 13 percent of her total exports to The Six and more than 50 percent to the Commonwealth, The Six was the fastest-growing economic area in the world. British industry could not afford to be driven out of the West European market.<sup>54</sup> On the other hand, joining was not an option either.

The Macmillan government squared the circle by strongly pushing the idea of an FTA, despite a clear U.S. preference for the EEC. Negotiations on the FTA continued until the summer of 1958 when de Gaulle, who had swept to power in Paris, brusquely indicated his preference for "little Europe." Macmillan, who had warned that such a move might lead to British troop withdrawals from Germany and the imposition of a high-tariff "fortress Britain" policy, was left looking foolish. Without American support, Britain was in no position to dictate terms on trade.

Subsequently, Britain negotiated the European Free Trade Agreement (EFTA) with Denmark, Norway, Sweden, Switzerland, Portugal, and Austria, the so-called "Seven." These countries were at least as affected as Britain by the creation of the EEC. Yet all of them, for different reasons, were unwilling or unable to join the EEC. Neutral Austria's and Sweden's sensitive diplomatic status, Switzerland's traditional reluctance to enter international agreements, Denmark's preference for the "Nordic Union," and Portugal's still authoritarian government were all barriers in one way or another to entry. The erection of the common external tariff threatened them with acute issues of economic adjustment. All of them sent between 25 to 50 percent of their exports to the EEC Six and took between 35 to 60 percent of their imports from the new customs union. As a contemporary economist pointed out, "easy trade with the Six" was a "vital matter" both for them and, indeed, for all the eleven OEEC states that were not members of the EEC.<sup>55</sup>

EFTA came into operation in May 1960. Its own members regarded it as primarily a bridge to the EEC: as a way, in the long term, to negotiate with the EEC bloc-to-bloc. Its overall effects were nevertheless mostly good. Intra-Nordic trade grew sharply in the following decade, but most important of all, EFTA set off a virtuous race with the EEC to prove to the United States which of the two blocs was more liberal on trade questions. This unquestionably made the international climate for reducing obstacles to trade favorable and also exercised a real pressure on the EEC to take a liberal direction.<sup>56</sup>

## THE TREATIES OF ROME: MARCH 25, 1957

Although it attracted a great deal of contemporary attention and received exceptional political support from the American government, the Euratom treaty was less complex, and, in retrospect, much less important than the parallel treaty establishing an economic community.<sup>57</sup> It identified eight main policy areas in the field of nuclear energy that would be coordinated by the new Community. Euratom was (1) “to research and ensure the dissemination of technical knowledge” by promoting and supplementing research being undertaken at the national level. It was (2) “to establish and ensure the application of” common safety standards throughout The Six and (3) “to facilitate investment” in the industry. Annex Two of the treaty made consulting the five-member Commission of Euratom obligatory whenever investment plans were being made for any aspect of the nuclear industry. Euratom was also (4) “to ensure a regular and equitable supply of ores and nuclear fuels to all users in the Community.” The Commission was empowered to set up a purchasing and distribution “agency” that would have had a “right of option” on all “ores, source materials or fissionable materials” produced within the Community. In addition to these powers, Euratom was (5) to supervise the use of nuclear fuels and ensure that “nuclear materials are not diverted for purposes other than those for which they are intended”; (6) to own all “special fissionable materials” (bomb-grade uranium and plutonium) not intended for defense purposes; (7) to establish a common market in materials, capital, and employment for the nuclear industry. Its eighth and final task was to make agreements “likely to promote progress in the peaceful use of nuclear energy” with other countries and organizations. Member states were not precluded from making similar agreements on their own initiative, but the Euratom Commission was entitled to scrutinize any such proposed agreement to see if it harmonized with the aims and objectives of the new Community.

Monnet’s Action Committee greeted the Euratom treaty with great fanfare. The resolution of its fourth meeting (May 6–7, 1957) welcomed the signature of the two Treaties of Rome, but especially that of Euratom, as “an event of capital importance.”<sup>58</sup> In between the Committee’s September 1956 meeting and the meeting in May 1957, a committee of three “Wise Men,” chaired by Monnet’s adviser Armand (who also became first president of the Euratom Commission), had reported. It asserted that The Six could be producing fifteen million kilowatts (kW) of power from nuclear energy by 1967—“an electricity production greater than those of all the conventional power stations and dams which exist today in France and Germany.”<sup>59</sup>

Such rhetoric was always going to be hard to live up to. And in fact Euratom did not live up to the hopes of its sponsors. Its work was soon restricted to norm setting, monitoring, and brokering the actions of governments who were, at least in the case of France, as interested in the military applications of nuclear power as the peaceful ones. Europe, in the meantime, continued to import more and more oil from the Middle East. In this respect, Monnet’s geopolitical justification for Euratom was eventually vindicated. Dependency upon the Middle East oil supplies was destined to have major consequences for The Six’s foreign policy in the 1970s.

The EEC treaty was far more decisive for the future of European integration than Euratom, although some of the most earnest supporters of European unity nevertheless regarded it as a “gigantic fraud.”<sup>60</sup> The treaty’s protocol stated that its signatories, being “determined” (among several other worthy objectives) to “lay the foundations of an ever closer union among the peoples of Europe,” had decided to create an “Economic Community.” The EEC’s task, according to article 2, was, “by establishing a common market and progressively approximating the economic policies of the Member States,” to “promote throughout the Community a harmonious development of economic activities, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.”

Specifically, The Six contracted themselves to complete a list of policy objectives. They would abolish all quantitative restrictions on trade among themselves, establish a common external tariff and a common commercial policy toward third countries, and eliminate “obstacles to freedom of movement for persons, services and capital.” A “common policy in the sphere of agriculture” would be adopted, as would a common policy on transport. To these ends, The Six bound themselves both to institute a “system” that would ensure that competition was not distorted and to apply procedures that would coordinate their economic policies and remedy “disequilibria” in their balances of payments. They further promised to “approximate” their domestic laws “to the extent required for the proper functioning of the common market.” A European Social Fund and a European Investment Bank would be set up, and an “association” agreement for overseas “countries and territories” would be introduced. The common external tariff—the key provision of the customs union—was set at the “arithmetical average of the duties applied in the four customs territories [Benelux, France, Germany, and Italy] comprised in the Community.”

The timetable set for this ambitious program was twelve years. This “transitional period” was subdivided into three “stages” of four years (although some slippage was both envisaged and allowed), each of which was assigned a set of actions that had to be fulfilled before the stage came to an end. Revenue raised by tariffs on commerce between member states, for example, would be reduced by 10 percent one year after the treaty came into force; 10 percent eighteen months later, and a further 10 percent upon the conclusion of the first four-year phase. Further precise reductions were specified for the second and third stage. Duties on individual products were to have been reduced by at least 25 percent during the first stage, and a further 25 percent during the second stage. It was this article of the treaty that attracted the most attention from *The Economist*, which printed a derisive analysis in the “Notes of the Week” column of its March 30, 1957, edition. Ironically headed a “Red Letter Day for Shoppers,” the paper commented scornfully that “in twelve years’ time, if things go well, or seventeen years, if not,” Italians wanting to buy a Volkswagen would be able to do so at German prices.

The Six also promised to establish a common market in “the products of the soil, of stockfarming, and of fisheries and products of first stage processing directly related to these products” within the same twelve-year framework. The operation and development of the common market in agricultural products, however, was to be “accompanied by the

establishment of a common agricultural policy among the member states.” Article 39 clarified that the objectives of this policy would be

1. To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labor
2. Thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture
3. To stabilize markets
4. To assure the availability of supplies
5. To ensure that supplies reach consumers at reasonable prices

In other words, the policy in its final form was intended to benefit agricultural producers while guaranteeing reasonable (not world market) prices for consumers. In his memoirs, Marjolin stated bluntly: “France would never have accepted a Customs Union that did not include agriculture and did not guarantee French producers protection comparable to that which they were receiving under French law. Without a common agricultural policy, there would never have been a common market.”<sup>61</sup> The Commission of the EEC was charged with the task of “working out and implementing” the common agricultural policy (or CAP, as it became known) by the end of the first stage of the EEC’s development (i.e., by December 31, 1961). The Council of Ministers, by unanimous vote during the first two stages of the transitional period, and by qualified majority thereafter, was to make all regulations, issue directives, and take all decisions pertaining to agriculture.

Just as important for France, the EEC treaty provided for a preferential policy of trade and development aid toward the countries of the French Union. Member states’ colonies were to have the same access to the common market as the member states’ themselves. The Six, moreover, promised to “contribute to the investments required for the progressive development of these countries or territories.” In practical terms, The Six promised to invest 580 million EPU “units of account” (i.e., dollars) over five years, with France and Germany each contributing 200 million apiece. French overseas territories, however, would benefit from 511.25 million of this investment. In essence, the other five members of the EEC pledged themselves to subsidize the French empire to the tune of \$60 million per year until 1963. France negotiated very hard for this outcome: in the opinion of some scholars it was as important for France as the deal on agriculture. French Premier Guy Mollet made no secret of the advantages for France of this aspect of the EEC treaty: “By opening our overseas populations to the broad opportunities offered by a union with Europe, by enabling them, through our good offices, to enter in this vast collectivity, we adroitly maintain our influence.”<sup>62</sup>

The Commission and the Council of Ministers were the unique institutions possessed by the EEC. Unlike the ECSC, in which the High Authority was an executive committee accountable to the Assembly (but not supervised by it) that required on many occasions the consent of the Council of Ministers (which thus functioned as a kind of restraining legislature), in the EEC

treaty policymaking power was concentrated in the hands of the Council. While the Commission, which was composed of nine independent individuals nominated by national governments for a four-year term, had the exclusive power to propose regulations, directives, or decisions and was responsible for implementing them, the Council alone could give legal force to the measures emanating from the Commission. During the first two stages of the transitional period, the Council's approval was to be by unanimous vote for major policy areas, thereafter by a qualified majority of twelve votes out of seventeen for measures proposed by the Commission, and twelve votes by at least four states for proposals emanating from a member state. France, Germany, and Italy each possessed four votes, Belgium and the Netherlands two, and Luxembourg one. Council amendments to Commission proposals were only possible by unanimous agreement: a clause clearly designed to prevent denaturing compromises that would benefit a minority of member states.

The Commission, however, rapidly became a more powerful institution than the ECSC High Authority. There were three main reasons for this. The first reason was the exceptional quality of some of the individuals composing the first Commission. The first president of the Commission was Walter Hallstein, a committed European federalist who, as we have seen, had also been German foreign minister. His Commission included Sicco Mansholt, a Dutch agriculture expert who became the father of the CAP; Jean Rey, a protégé of Paul-Henri Spaak, who had been minister for the economy in the Belgian government; and the inevitable Robert Marjolin. These four men brought formidable intellectual and organizational talents to the Commission and had accumulated great experience at the top levels of international negotiation over the previous decade. Their collaboration, it should be added, was far from idyllic. They were strong personalities with different ideas about how "Europe" should be made.<sup>63</sup>

The second reason was the Commission's role as market invigilator. The EEC treaty was, among other things, a supranational antitrust agreement. Articles 85 through 89 of the treaty clearly established that cartels were to be outlawed within The Six, and the Commission was given the task of proposing how. The Commission was, in short, designed to be both a watchdog that barked whenever mercantilist tendencies tried to sneak into the market by the back door and a bloodhound employed to sniff them out. Following on from this, the third reason for the Commission's higher-than-expected profile was its clear remit. The EEC treaty set it numerous tasks and gave it a timetable to fulfill them in. The power of proposal, in this context, became an important tool. An efficient decision-making cycle was established whereby the Commission researched and put forward new initiatives and the Council of Ministers said yea or nay. There was, in short, a Whitehall-like division between officials and politicians that could only be upset by either of the two categories deciding to invade the other's turf. The major crisis of the mid-1960s (see chapter 4) was caused by de Gaulle, on the one hand, and Hallstein, on the other, forgetting this division of labor.

The EEC shared the Common Assembly and the Court of Justice with the ECSC (and Euratom). The former of these institutions was as much a cipher in the new treaty as the old. The latter institution, however, gained important new powers. Whereas under the ECSC treaty, rulings of the Court of Justice could only be invoked by states objecting to the actions of the

High Authority, in the EEC treaty both the Commission and member states could ask the Court to rule whether the domestic regulations of the member states were infringing the provisions of the treaty. Member states judged to be guilty were “required to take the necessary measures to comply with the judgment of the Court” (article 171), although no explicit sanctions were available to the Court in the event of noncompliance. Article 177, moreover, empowered the Court, upon request of a tribunal or court within any of the member states, to rule whether the Treaty of Rome was being infringed by a case being decided under national law.

The crucial issue was whether or not these provisions empowered the Court to rule national laws and regulations incompatible with the treaty. International law holds that agreements between nation-states are binding upon the states themselves and should be implemented in good faith, but that their “direct effect” is a matter for domestic legal procedures. In other words, a Court ruling that a provision of the EEC treaty was being violated by a specific regulation in force in a particular member state would not by itself annul the offending regulation but merely act as judicial signal to the Community in general that one of its members was not keeping its promises. The problem with this interpretation of the Court’s role, of course, was that it made enforcement of the treaty a question of politics and hence multiplied the likelihood that the member states would permit the continuation of regulations contrary to the *laissez-faire* letter and spirit of the EEC treaty.

The first landmark case in the ECJ’s history, *Van Gend en Loos v. Nederlandse Administratie der Belastingen* (no. 26/1962), addressed precisely this point. *Van Gend en Loos* was a dispute in which a Dutch company importing chemicals from West Germany was charged a higher rate of tariff, under a Dutch law of December 1959, than had been in force on January 1, 1958. The company’s lawyers complained that this breached article 12 of the EEC treaty, which instructed member states to “refrain from introducing between themselves any new customs duties on imports or exports, or any charges having equivalent effect, and from increasing those which they already apply in their trade with each other.” The Dutch government referred the matter to the Court and asked it to decide (a) whether article 12 conferred individual rights that the domestic legal systems of the member states were bound to respect, and (b) whether, in this particular case, Dutch law actually had infringed article 12. When the case came before the Court, only the Commission supported the company. The Dutch, Belgian, and German governments all took the view that article 12 “was intended by the authors of the Treaty to be binding on the international plane only and that it could not be invoked directly in the national courts.”<sup>64</sup> The advocate-general to the Court (the lawyer charged with presenting an impartial summary of the case to the Court and with providing a preliminary opinion) by and large backed the three governments, ruling that “large parts of the Treaty” (including article 12) “contain only obligations of member-states and do not contain rules having a direct internal effect.”<sup>65</sup> The Court, citing the sentiments of the EEC treaty’s preamble as evidence of the supranationalist intent of the treaty’s makers, ruled to the contrary. According to the ruling of the seven judges:

The Community constitutes a new legal order of international law for the benefit of which the states have limited their sovereign rights, albeit within limited fields, and the subjects of which comprise not only Member States but also their

nationals. Independently of the legislation of the member states, Community law therefore not only imposes obligations on individuals but is intended to confer upon them rights which become part of their legal heritage.<sup>66</sup>

## WASHINGTON'S BENEVOLENT GAZE

The historian Alan Milward sustained that the construction of the EEC was “an integral part of the reassertion of the nation-state as an organizational concept.”<sup>67</sup> Nation-states throughout Western Europe needed to prove that they could deliver the goods to their citizens—not least because they feared that the lesson of twentieth-century European history was that without high levels of welfare, democracy would not survive. Europeanization, to use an anachronism, was a by-product of the urge to produce welfare. A customs union was agreed, against all odds, because The Six’s economic growth was being dragged along by rapid West German economic growth. The other five were anxious both to continue to profit from the German boom and to bind Germany into the Western camp. The EEC treaty was a means of satisfying this dual objective.<sup>68</sup>

If, moreover, we read what Milward, tongue firmly in cheek, calls the “lives and teachings of the European saints” (De Gasperi, Adenauer, Schuman, Van Zeeland, and so forth), we apprehend that the central preoccupation of Europe’s “founding fathers” was less idealism for the European cause than fear that “democracy and christianity could not be defended” against the forces of darkness unless there was a “joint economic and spiritual renewal of liberal capitalism.”<sup>69</sup>

Milward’s realism is too uncompromising for many: it seems to reduce or even deny the idealism that accompanied the early years of European integration. However, by placing a powerful emphasis on the extent to which the process of European integration required a constant act of will on the part of national leaders, it was a useful corrective to the so-called functionalist interpretation, laid out in the political scientist Ernst Haas’s 1958 book, *The Uniting of Europe*, which implied that the creation of the ECSC and the EEC was an almost passive process whereby “political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states.”<sup>70</sup>

Haas was confident, moreover, that this process was bound to continue since each new move toward economic integration occasioned policy “spillover” into other areas, with the center accruing to itself more and more competences and hence substituting the national capitals as the principal locus of political activity. By 1958, Haas argued, this process had already led to a new instrument of governance that was neither an outright intergovernmental organization nor a federal state, but a “hybrid in which neither the federal nor the intergovernmental tendency has clearly triumphed.”<sup>71</sup> Haas nevertheless left little doubt that he believed that the federating principle would win out in the long run and that Europe would become an organized political community administered by central institutions on the model of the United States. “The spillover may make a political community of Europe before the end of the transitional period.”<sup>72</sup> The book’s last sentence was, “The vision of Jean Monnet has been clearly justified by events.”<sup>73</sup>

Milward speculated derisively that Haas was semiconsciously fulfilling his Cold War duty by propagating this vision of the inexorable merging of the democratic world into a single system of government.<sup>74</sup> It would perhaps be fairer to say that Haas was echoing the mind-set of the U.S. political establishment. No account of European integration in the 1950s is complete unless one remembers the extent to which the Europeans' efforts to achieve greater integration were nurtured and encouraged by the Eisenhower administration, which was extraordinarily committed to European unity, and not only rhetorically. As we have seen in this chapter, the United States funded the EPU and pressed for trade liberalization through the OEEC, backed the ECSC despite its detrimental effect on American steel exports, committed itself almost aggressively to the notion of a Defense Community, and facilitated the creation of Euratom against the interests of its own atomic energy industry. Washington, doubtless comforted by the fact that its trade surplus with The Six remained comfortably wide, also backed the concept of the EEC against the British notion of an FTA—this despite the fact that U.S. policy since 1945 had been to encourage multilateral trade liberalization through the GATT. More generally, European integration was taking place under the aegis of the American military guarantee and with the benefit of a stable and prospering transatlantic trade relationship. European integration, like most exotic blooms, needed a favorable climate to be able to grow: the United States built and maintained the glass house necessary for its survival.

This is emphatically not to suggest that European integration was imposed from without: quite the opposite. European integration was in the interests of The Six and was achieved overwhelmingly through the ideas, efforts, and hard work of The Six's leaders. It is nevertheless worthwhile asking whether West European nations would or could have proceeded so far, so fast toward integration in the absence of the relatively benign environment created by the United States' protective shield. When one thinks of the centuries of distrust and suspicion dividing The Six, especially France and Germany, and the jealousy with which The Six—especially France—continued to defend national prerogatives throughout the 1950s, it seems unlikely. European integration was a luxury that postwar American hegemony made thinkable.