

Pierre-Étienne Flandin, Political aspects of the Schuman plan (1951)

Caption: In 1951, Pierre-Etienne Flandin, French politician and former President of the Council, analyses the economic and political aspects of the Schuman Plan and recounts his numerous reservations about the ratification of the Treaty establishing a European Coal and Steel Community (ECSC).

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Political aspects of the Schuman plan

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On 9 May 1950 the French government published a statement on plans to pool the production of coal and steel in western Europe. The aim was to achieve ‘solidarity in production’, destined to serve as the foundations for European economic union. West Germany, Italy, the Netherlands, Belgium and Luxembourg agreed to the plan. On the other hand the United Kingdom, without openly rejecting it, opted to reserve its judgement. It preferred to wait and see the terms on which this enormous coal and steel trust would be organised. The Scandinavian countries and Switzerland adopted the same cautious stance as Britain. No offer was made to Spain, and Portugal was not a producer of either commodity.

The response to the project was almost unanimously enthusiastic, at least in France. In Germany it received the backing of Chancellor Adenauer and the parties in the coalition government. But the Socialist Party was critical, and its leader Dr Schumacher rejected the idea outright.

What made the greatest impression on public opinion, not only in France and Germany, but all over the world and particularly in the United States, was the joint statement by Mr Schuman and Dr Adenauer that adoption of the plan would put a final end to any risk of future conflict between their two countries.

It was difficult to cast doubt on such an assurance from two highly qualified figures, particularly as the practical workings of the plan were still veiled in mystery.

The peoples concerned and, in their midst, those who were most directly involved, namely the coal and steel industries, resigned themselves to waiting for the experts who had been brought in to work out the details of this undertaking to make sufficient progress to release detailed documents on which they might base an informed opinion.

Jean Monnet, the plan’s prime mover, kept a jealous guard on the secrecy of the discussions to frame a draft treaty between the six western European powers. He may very well have hoped he could shield the treaty from criticism in this way. He almost certainly assumed that the best way of achieving his aims was to persuade the various ministers to sign the agreement, thus committing their respective governments, before the latter had been stirred by public discussion of the pros and cons of the plan. In practice, the draft treaty was initialled by the representatives of the six governments before the texts of the treaty and the accompanying convention had even been published.

With reference to this approach, some might argue that it disregarded usual practice, not to mention the rules of democracy. There was no debate in parliament, at least, not in France. The parliamentary committees, habitually eager to uphold their prerogative to exert checks and balances, received neither documents nor reports from the delegates negotiating on behalf of France. Of course the Planning Commission (CGP), set up after the Liberation of France, is an exceptional body. It has neither specific attributions nor a legally defined status, nor is it subject to any parliamentary supervision. Its head, who by definition cannot be ousted, fulfils the functions of an all-powerful minister of the economy, without shouldering any of the responsibilities usually borne by a minister. This *éminence grise* of all the successive post-war governments embodies the continuing centralised state control that characterises the regime. Having exhausted the advantages of this system at home, it was only to be expected that he should start looking for ways of deploying it abroad.

Why choose coal and steel for the first experiment in supranational central control?

Because the Ruhr question had to be settled.

Without going so far as to say that the steady development of coal and steel production in Germany, under exceptionally favourable economic conditions, caused two world wars in the first half of the 20th century, it has to be acknowledged that it was a decisive factor in the events that made armed conflict almost inevitable.

The growth of the naturally prolific German population prompted the country's gradual industrial development. Coal, the essential raw material of heavy industry, was available in large quantities in the Ruhr and could be profitably mined. This increasingly led to steel production being concentrated there, facilitated by a network of rivers and canals particularly well suited to the influx of ore and the dispatch of finished goods. Furthermore the proximity of the iron ore mines in Lorraine gave operations an additional advantage. The processing industries could hardly fail to take advantage of such a well appointed base for their activities. German manufactured goods were soon flooding markets open to international trade. Progress by the two main auxiliaries to world trade — merchant shipping and banking — kept pace with rising production in Germany. We have learnt from world history that there always comes a time when the peaceful conquest of markets gives way to more brutal ambitions, particularly when overproduction and unemployment bring on economic crisis. This is in turn exacerbated by the defensive reflexes of rival countries when threatened by economic war, a state of affairs which precedes and all too often gives rise to total war.

The aim of German policy in 1914, once a hypothetical victory had been secured, was: first, to fortify its position as a major industrial power by annexing the coal fields of Belgium and northern France, the iron ore mines of Luxembourg and Lorraine; secondly, to secure a large consumer market in central and eastern Europe; thirdly, to guarantee its access, on an equal footing, to the world markets that were still free and, if need be, to develop them to its advantage by exerting pressure as an economic and military power on a par with its main rivals.

Twenty years later Hitler had little option but to continue the same policy. This policy being closely related to [Germany's] industrial development, of which the Ruhr was both the symbol and the keystone, the victims of German imperialism held the leading German coal and steel producers directly responsible for two world wars. After all the Third Reich would not have been able to acquire such a lavish array of arms without overproduction by heavy industry.

So the main goals set by the authors of the plan for a coal and steel pool are to solve the problem of Germany's surplus output and to secure an adequate consumer market for it.

From the outset it was clear that Britain would not become involved. On two occasions it had to go to war to defend itself against competition that was degenerating into an attempt to achieve hegemony. Furthermore it is at the hub of a vast market, protected, to Britain's advantage, by a system of imperial preference. The idea of a combine which, without involving it directly, can allow the normal, peaceful development of German industry, seems appealing. At the same time Britain remains wary, determined to make sure that its interests are upheld.

It was equally essential to involve France and Benelux in the coal and steel pool from the outset. The vast Russian economic powerhouse having seized control of central and eastern Europe, Africa has become an attractive market, all the more so as it has even greater potential for growth. Between the wars there was talk of France and Germany joining forces to develop the African market. Including the Belgian Congo was bound to increase the project's overall appeal. However, perhaps on account of the widespread interest in the African market, it was not possible to include it in the customs union that the treaty establishing the pool has set up among its participants. But — and this comes to much the same thing — Article 79 of the treaty stipulates that each contracting party undertakes to give its partners the benefit of any preferential measures it may enjoy in non-European territories 'subject to its jurisdiction'. It is worth noting, in passing, that this wording is remarkably loose.

With regard to the United States there were initial grounds for fears that the coal and steel pool might prompt opposition, but this was overcome thanks to special circumstances and more general reasons.

One special circumstance is that the Federal Republic of Germany is part of the Western bloc. The Americans have made it a top priority to protect it against a possible Russian take-over. But the prospect of long-term occupation of Germany by US troops is scarcely satisfactory. There is always a serious temptation for an occupied country to cast off the bonds of servitude which occupation represents. A people finds it harder to endure what it experiences at first-hand, rather than what it fears. Furthermore, the possibility of opening the Russian market to German exports might serve as bait for anyone whose livelihood depends on trade. Keeping the Germans in the western sphere of interest secures for them the trade they need to sustain their economy. In the years that have passed since the Allied victory the German people's trading capacity has been restored thanks to US loans and gifts. The prospect of endlessly funding Germany's balance of trade deficit can hardly appeal to the Americans. The coal and steel pool consequently comes at just the right time, on the one hand because it seems likely to give new impetus to German trade and industry, and on the other because it does away with the need for joint Allied control which is difficult to reconcile with closer partnership, which needs to be extended to include joint military defence against Soviet imperialism.

The other special circumstance is that the economic restoration of Germany requires very substantial assets and considerable borrowing. The US, having learnt from its experience of funding German reconstruction between 1920 and 1930, is reluctant to commit assets and loans with no hope of seeing a return, or on terms that make it impossible to recover its investment. After the disastrous 1931 moratorium and the successive collapses of the mark, specifically financial investments and bank-to-bank credits are barely possible. Investment in industry, on the other hand, offers much greater security and may yield substantial profits. In this respect the coal and steel pool provides both guarantees and facilities. It should be noted that under the terms of the draft treaty, it would be difficult for the pool's High Authority to operate without its own substantial financial resources. It is planned for such resources to be fed by borrowing. It is hardly likely that the current participants in the pool, each being in need of assets and loans, should have any to spare for the pool. They are obviously counting on the support of American investors, which makes it easier to understand why the chief coordinator of the pool should have taken such trouble to set up the High Authority, taking precedence over national governments, and to erect a screen of fiscal immunity and freedom of movement for the financial dealings the Authority will need to carry out, releasing it from any currency controls decreed by such and such a participant state.

We may now turn to more general circumstances. The customs union set up by members of the pool almost certainly implies the need for outside protection. This is so true that the Convention covering the five-year transition period, prior to the full system — including the pool — coming into force, explicitly provides for negotiations with third countries to obtain the necessary dispensation from 'most favoured nation' and non-discrimination clauses governing trade within the framework of the Organisation for European Economic Cooperation (OEEC). In view of Washington's enduring hostility to these two clauses, there is every reason to suppose that the authors of the plan have already obtained the prior agreement of the US administration. As to the arguments they may have used, they almost certainly played on the tendency of American business to reason in doctrinal terms, and on the peace-loving idealism of US public opinion.

On the doctrinal front enlarging markets is the current cure-all. It provides a way of reducing production costs through the organisation of mass production, the physical transfer of manufacturing activities to the most favourable locations, and the concentration of technical progress. Cutting production costs, and therefore sales prices, means that manufacturers can appeal to growing numbers of consumers and, by the same token, increase output almost indefinitely, while eliminating crises. This system secures both full employment and social gains, with rising productivity fuelling higher wages. It is worth noting the care with which the draft treaty sets forth the various tenets of American neo-capitalist doctrine, acknowledging them as essential goals to be achieved by the High Authority, which will direct the pool.

As the crowning achievement of the American people's peace-loving idealism, the pool will be the first stage on the road leading to European union. More directly it is a magical means to prevent any future

conflict between France and Germany. It also represents the immediate fulfilment of the condition for a peace treaty between the Allies and the Federal Republic of Germany.

The German response to the projected pool was not unanimously favourable. Setting aside the habitual cut-and-thrust of parliamentary democracy, some opposition criticism was only to be expected.

The realists came out in favour of the treaty.

Germany is under Allied occupation. No peace treaty has been signed. The army having surrendered unconditionally, there is not even an armistice. The Allies have gradually relaxed the rules of occupation, spontaneously restricting their intervention in public life. They have increased the powers of the government formed by the democratic bodies they established. But the position of the Federal Republic nevertheless remains precarious: it has not yet restored the independence of the German people; it is under threat from the German Democratic Republic; its strength is sapped by the habitual resentment of the vanquished towards those who collaborate with the victors and by the people's desire to restore German unity.

The German economy faced three threats, one of which now seems to have been overcome: the risk of its factories being dismantled, of its industry being dispersed and disorganised, and of the Allied High Commission taking control of the Ruhr. Dr Adenauer was prepared to negotiate to eliminate the last two threats. In exchange for his promise to accept the Schuman plan he succeeded in limiting the break-up of industry. He convinced the French government to take the initiative of stating that the High Authority instituted by the new treaty was not compatible with the existing High Commission and to propose that it should give up control of the Ruhr. But he obtained more than that. The strength of the great Ruhr firms was rooted in their combining coal and steel in a single undertaking. The Allies had agreed to separate the two, but they have now accepted that the firms should stay as they are. The only restriction is that a quarter of the coal produced will be set aside for foreign markets.

Thanks to the rearmament of western forces Germany has obtained a further increase in the steel tonnage it is authorised to produce. The government in Bonn is banking on an end to all restrictions in the near future.

The purpose of controlling the Ruhr was surely to reserve part of coal production for France, and for Belgium which was short of metallurgical grade coke. When the Schuman plan was first presented, it advocated the pooling of coal and steel production in western Europe. But the treaty establishing the pool simply brings about the organisation of a single market by removing customs duties and quotas, which is rather different.

Germany has thus scored several victories. It has consolidated almost all the factors that contributed to the Ruhr's supremacy and it will soon be able further to improve its position. The German government is already reasserting its hostility to economic union between France and the Saarland. In due course it will be child's play, manoeuvring within the Community institutions, to use the pool to advance German interests.

Coal mining is most profitable in the Ruhr. It is there too that steel is produced at the most competitive price. The goal of the pool, as set forth in Articles 2 and 3 of the Treaty, is to 'assure the most rational distribution of production at the highest possible level of productivity' and to 'seek the establishment of the lowest prices'.

The five-year transition period, during which firms doomed to disappear or convert to other activities have certain rights, is short. The Germans will not attempt to hasten the process, but once the time limit is up, things will really start moving.

Not only will they seek to restore the former dominance of German coal and steel, but also to secure German supremacy over the coal and steel markets in Europe and Africa. German heavy industry's dream of domination — the dreams of 1914 and 1939 that did not come to pass — will finally come true. They would

have to be crazy to reject the Schuman plan, which is exactly what Dr Adenauer and most of his compatriots rightly think.

However it is not enough for some Germans. On the strength of the superiority they enjoy thanks to their privileged position controlling the natural resources of the Ruhr, they refuse to make any concessions. They are incensed at French and Belgian demands for compensation and for a share of production that correspond to their domestic market at least. They are wary of interventions by the High Authority, with members other than their own. Lastly, it is always an effective ploy to display a degree of displeasure in order to protect one's interests.

There remain the French interests.

Advocates of the pool tell us that French manufacturers cannot compete on an equal footing with their German counterparts. It was already difficult before the war, with the domestic market protected by customs tariffs, with agreements or common interests with the coal fields which had not yet been nationalised, with industrial understandings on the share-out of foreign markets, with quotas and agreements on prices. The pool will constitute a huge trust, regardless of the clever story which claims that its purpose is to uphold free trade, with French manufacturers also being given a fair share.

We have also heard that, thanks to the Marshall Plan, France has taken the lead in modernising its technology, as part of the effort to rebuild its heavy industry. It will be able to hold onto that lead thanks to the intervention of the High Authority, which will assert its all-powerful control to avoid 'the creation of fundamental and persistent disturbances in the economies of the Member States'.

The pool's opponents point out that the French market alone, with its ramifications in overseas territories, justifies powerful heavy industry, which held its own under the competitive pre-war conditions and performed respectably. Removing all the forms of protection it used to enjoy in its home market could deal it a deadly blow.

They also maintain that the French market forms a single entity fashioned by time. The organisation of the various components of production and consumption in France is neatly balanced. If part of the foundations is removed there is good reason to fear the whole structure may collapse.

Lastly they argue that other factors should be taken into account, apart from matters of economic doctrine, which is American in its inspiration and application. Furthermore there is no certainty that this doctrine can be adapted to European humanism which is more complex than the mechanistic attitudes prevalent in the US.

Surely one of the main challenges of our time is to perfect the work of civilisation without destroying its foundations. To achieve this goal, should we maintain national organisations, both in material and spiritual terms, or dismantle them, joining forces under the banner of progressive materialism? European union is a virtual concept. Nationalism is real, be it French, German, Italian, British, Dutch or Belgian. If our prime concern is to defend western freedom against Communist tyranny, it may be a mistake to abandon real values for virtual ideas.

European cooperation is conceivable at every level, without participants giving up their sovereignty.

A European coal and steel pool does not necessarily involve the loss of national sovereignty inherent in the Schuman plan. It could be differently organised. Delegating powers to a supranational authority devalues the Nation, which may be seen as a self-sufficient, independent group of people, rooted in the past, with projects for the future, sticking together naturally, bonded by tradition, an instinctive community, moved by sentiment and reason.

The individualism that is the key to free enterprise is surely also one of the most effective bulwarks against Communism. As it stands the European coal and steel pool is an instance of supranational central control with neither checks nor balances.

Some commentators would no doubt have us believe that the institutions of the Coal and Steel Community — the Assembly, the Special Council of Ministers and the Court of Justice — will limit the powers invested in the High Authority and uphold the prerogatives of participant states. This is an illusion, as anyone taking a close look at the workings of the High Authority may demonstrate.

It has also been claimed that the Consultative Committee of producers, workers and consumers and dealers provided for among the Community institutions will uphold free enterprise, assisted by trade federations. The articles of the treaty defining the powers of the High Authority make it perfectly clear that this will not be the case.

The interests of business are being deliberately sacrificed in the name of central planning by the High Authority. Not only can this body, by its financial action, ruin some companies for the benefit of others, but it cannot be held responsible for the damage it is in danger of causing. Only 'lack of legal competence or substantial procedural violations' may be cited as grounds for appeals to the Court of Justice (Article 38). Only decisions or recommendations by the Authority considered by the Court to involve a fault entitle the injured parties to redress.

Worse still, for a member state to be able to lodge an appeal, the High Authority must have refused to recognise that its action or failure to act have caused disturbances in the economy of that state. The member state must even provide evidence that the disturbances are 'fundamental and persistent' (Article 37). How long will it take to establish the persistent nature of such problems? And in the meantime who will repair the damage done? Such extensive discretionary powers are invested in the Authority that even if a member state or the Council lodges an appeal for annulment of one of the Authority's decisions or recommendations the Court may not review the conclusions of the High Authority, 'drawn from economic facts and circumstances, which formed the basis of such decisions or recommendations' (Article 33).

Bearing in mind that the treaty will remain in force for 50 years and that participants have no right to denounce it, regardless of the circumstances, it is clear that it represents a complete loss of sovereignty.

Can France accept such a thing?

Our answer is: 'No!'

The French Constitution does not allow the National Assembly to delegate its powers to the government. How then can it delegate them to a supranational authority, which takes decisions affecting French subjects and companies that the Assembly is not empowered to revoke?

The Constitution also stipulates that: 'diplomatic Treaties ratified by due process and published have the force of law, notwithstanding cases in which they are contrary to French national laws, without any need, to secure their application, for any other legislative provisions than those required for their ratification'.

Will the French parliament allow the High Authority of the coal and steel pool to pass laws in France in its place? After all, legislative intervention is required to order the closure of a coal mine or steel works, suspension of a manufacturing process, reallocation of labour, payment of a subsidy to a company, with the French Treasury obliged to pay half of the cost.

It is the first time that anyone has dared ask States, which have previously been free and independent, to give up their sovereign rights, without reservations. Even when we have entered into pacts or alliances we have always been at liberty to reconsider the conditions under which such pacts applied, as well as retain the right to denounce them.

For what reasons and with what benefits in mind should we subscribe to an unconditional economic alliance, managed by an Authority empowered to make commitments on our behalf without offering us any guarantees?

There is no such thing as a fail-safe undertaking. If the coal and steel pool turns out to be a drain on our economy, a threat to the stability of society and a danger to national security —three possible outcomes that there is no need to enlarge upon because they follow on from our reading of the treaty and to an even greater extent from the convention for the transitional period — in so far as it provides for a reduction in the output of our minefields, labour transfers and adaptation of some of our steelworks to other production processes, what will we do if we have committed ourselves for 50 years?

Can we claim to be released from our commitments because circumstances have changed? Would this be consistent with our line of conduct on international commitments? If during this long period of time West and East Germany should move closer and adopt a Communist regime, would we want to remain involved in a pool in which, for the reasons outlined above, that regime would inevitably exert a predominant influence?

Is this the key to the mysterious secret that enabled the advocates of the coal and steel pool to assert that it would secure everlasting peace between France and Germany?

Many other considerations will be raised in the following pages, in support of a severe, far-reaching revision of the texts by which the French government has so frivolously committed the future of France's economy and by extension its national security.

When the communiqué was first released on 10 May 1950 I was one of the few people to voice concern about the Schuman plan. I wrote: 'Why give Germany what it would have imposed on us had it finally conquered us?'

Alas, the texts which have now been published justify my reservations. Germany enjoys their full benefit, France shoulders the full burden and takes all the risks.