

Telegram from David Bruce to Dean Acheson on the negotiations regarding the Schuman Plan (Paris, 21 September 1950)

Caption: On 21 September 1950, David Bruce, United States Ambassador to Paris, sends a telegram to Dean Acheson, US Secretary of State, in which he gives an initial assessment of the Paris negotiations on the implementation of the Schuman Plan.

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The Ambassador in France (Bruce) to the Secretary of State

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1494. Following is summary developments in Schuman proposal negotiations requested Deptel 1375.¹ Summary based chiefly on conversations with members French delegation and covers only major points under discussion. New interim report now being drafted setting forth conclusions reached since September 2 which may fill in some details not covered our conversations; copy will be obtained as soon as available.

Since reopening of negotiations, heads of delegations in daily meetings have reviewed all major questions including both those on which decisions reached by conference and working groups as noted in August 10 interim report, and those which conferees unable discuss before recess. During this preliminary review, *ad hoc* groups of experts constituted to elaborate agreed decisions and continue work on unresolved problems. This preliminary phase is now virtually completed.

Most significant fact noted since reopening of negotiations is marked stiffening in German delegation's attitude. Feeling their international positions strengthened by Korean events and talk of German rearmament, and acquiring outside of the Schuman proposal framework the desired increase in steel capacity limit, Germans now have stronger bargaining position and are trying to use it to retain national competitive advantage within single market. For this reason, they are arguing for (a) higher level of protection for the single market against third countries, based on the high German tariff rather than the low Benelux tariff; (b) no increase in German wages or labor expenditures (especially in coal mines); and (c) no raising of German coal price through payments to perequation fund for benefit high-cost Belgian coal industry. This change of attitude has shown up in almost all committee discussions and is causing serious concern to French and others. Monnet's view on this development in relation to Schuman's talks in NY cabled separately last week to Secretary.

Other delegates positions have not changed appreciably: Belgians still trying protect own coal industry to maximum extent possible, asking for special subsidies and indemnities; French still intent on immediate creation of single market.

Following are major decisions reached or reaffirmed by conference so far and questions on which work is now concentrated.

1. Commercial policy.

Conference has confirmed decision re immediate suppression all tariffs and quantitative restrictions on movement of coal and steel among territories of member states. French consider this decision basic from both economic and psychological point of view. It is however subject to a German reservation that if subsequent discussions seem to show that immediate suppression would necessitate what they consider to be too high a level of perequation payments, Germany may propose measures for realization of single market "stages".

Decision also reached on extension to all member countries of any preferential treatment re tariffs and QRs now extended to any member country by its own overseas territories. This decision would seem to give satisfaction to legitimate Italian demands.

Despite German position, conference reaffirmed principle of non-protectionist tariff for complex against third countries. Special working group constituted to draft convention fixing the minimum tariff (based on the Benelux tariff), the maximum tariffs of other countries, and the procedures for fixing and notifying tariffs between these two limits. This convention is to be ratified at same time as basic treaty. In answer to German demand that higher German tariff be used as minimum, it was decided that working group should

examine necessary degree of protection for each product, basing itself on Benelux tariff.

Question of relationship with GATT referred to special working group of legal experts. There is an unresolved difference of opinion in this group as to whether to invoke Article 24 paragraph 4 or Article 25 of GATT. Believe French would appreciate informal communication of Department's views this subject.

2. Perequation.

Decision to create single market at a blow brings problem of perequation to the fore. Belgians (and to lesser extent French) coal is real issue, as conference has apparently decided in principle that there will be no perequation in steel industry except for Italians.

Issue as presently drawn refers less to principles of perequation than to its cost. Main disagreement is between Belgians who must find way of tiding their high-cost industry over until the effects of their modernization program are felt, and Germans who want to minimize or eliminate perequation payments to keep their price down, and have even threatened to raise whole question single market if prospective cost of perequation too high.

In order to provide better basis for discussion, experts are now drawing up balance sheet of economic and financial consequences of establishing the single market. Data have been collected already and are now being organized; when this paper is ready the situation should be somewhat clarified. It already seems clear that German position will mean at least: (a) substantial contribution to perequation by interested government and (b) strict time limit on duration of fund. Monnet now tending to consider a definite, irrevocable time limit to perequation fund as a basis principle as important to success of Schuman proposal as immediate creation of single market.

3. Readaptation.

Conference reaffirmed conclusion re readaptation fund contained draft Article 23 in annex III of interim report, subject to Belgian reservation that fund should pay indemnities to certain enterprises forced to close on account of creation single market. Belgian proposal rejected by others and Belgian delegate asked to re-examine his position. Dutch suggested that readaptation fund become permanent institution in order to protect workers against risk of technological unemployment; this proposal now under discussion.

4. Investments.

Draft Article 28 contained annex III of interim report reaffirmed. This is subject to a Dutch reservation concerning distinction between public and private financing, whose exact nature is not clear; in any case, French claim the difference is one of language and not of substance, and will be cleared up without modifying the principle.

5. Prices.

The broad lines of procedure contained in annex IV of interim report for fixing prices or price limits to get new system underway were confirmed, subject to further elaboration. Also decided that treaty must contain principles to guide high authority in exercising powers re permanent price policies; elaboration these principles apparently to be confided to a working group.

6. Wages and labor problems.

Conference approved conclusions reached in the August 10 report on wages and social questions (transmitted by memo) and specifically: The outlawing of competition based on exploitation of labor; the absence of direct intervention by the high authority in the fixing of wages; and the principle of an intervention by the high authority in case of artificial distortions in labor expenditures. The elaboration of measures in this sense has been entrusted to a special working group.

The same group has been instructed to find means to suppress the coal and steel industries obstacles to the free movement of labour and discrimination in direct or indirect pay between domestic and foreign labor.

7. Initial period.

Still to be worked on is the question of the high authority's action during the initial period. Discussion will be based on annex IV of the interim report, which was not discussed before the recess. No decisions on this subject have yet been reached except as noted paragraph 5 above.

Aside from above, certain other questions have apparently been discussed by heads of delegations, notably; production programs; makeup and competence of regional associations; definition of coal and steel; and restrictive practices. We have not yet been able to obtain details on the results of these discussions but will report them as soon as we do.

Sent Department 1494, repeated information London 359, Brussels 72, Frankfort 169, Rome 118, The Hague 55, Luxembourg 40.

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