

EUROPE UNITED



**Power Politics and
the Making of the
European Community**

SEBASTIAN ROSATO

Europe United

*Power Politics and the Making of
the European Community*

Sebastian Rosato



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Tables

Table 1. The European Balance of Power, 1947–1960

44

Table 2. Regional Interdependence

242

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Abbreviations

| | |
|-------|--|
| ACC | Allied Control Council |
| AHC | Allied High Commission |
| ASEAN | Association of Southeast Asian Nations |
| BDI | Federation of German Industries |
| BOT | Board of Trade (UK) |
| BTO | Brussels Treaty Organization |
| CACM | Central American Common Market |
| CDU | Christian Democratic Union (FRG) |
| CEEC | Committee on European Economic Cooperation |
| CFM | Conference of Foreign Ministers |
| CFSP | Common Foreign and Security Policy |
| CNPF | National Council of French Employers |
| EC | European Community |
| ECA | Economic Cooperation Administration (US) |
| ECB | European Central Bank |
| ECSC | European Coal and Steel Community |
| ECUSG | European Customs Union Study Group |
| EDC | European Defense Community |
| EEC | European Economic Community |
| EERA | European Exchange Rate Agreement |
| EMA | European Monetary Agreement |
| EMS | European Monetary System |
| EMU | Economic and Monetary Union |

| | |
|---------|---|
| EP | European Parliament |
| EPC | European Political Community |
| ESDP | European Security and Defense Policy |
| EU | European Union |
| Euratom | European Atomic Energy Community |
| FDP | Free Democratic Party (FRG) |
| FNSEA | National Federation of Farmers' Unions (France) |
| FRG | Federal Republic of Germany |
| FTA | Free Trade Area |
| GDP/GNP | Gross Domestic / National Product |
| IAR | International Authority for the Ruhr |
| JCS | Joint Chiefs of Staff (US) |
| MAC | Mutual Aid Committee (UK) |
| MAD | Mutual Aid Department (UK) |
| MRP | Popular Republican Movement (France) |
| MSB | Military Security Board |
| NAC | North Atlantic Council |
| NAFTA | North American Free Trade Agreement |
| NATO | North Atlantic Treaty Organization |
| NSC | National Security Council (US) |
| OECE | Organization for European Economic Cooperation |
| OFD | Overseas Finance Division (UK) |
| OMGUS | Office of Military Government, United States |
| OSS | Office of Strategic Services (US) |
| PCF | French Communist Party |
| PPS | Policy Planning Staff (US) |
| RPF | Rally of the French People |
| RRF | Rapid Reaction Force |
| SACEUR | Supreme Allied Commander, Europe |
| SEA | Single European Act |
| SFIO | French Socialist Party |
| SPD | Social Democratic Party (FRG) |
| UEF | Union of European Federalists |
| WEU | Western European Union |

Contents

List of Tables

ix

Acknowledgments

xi

Abbreviations

xiii

1. Introduction

1

2. Explaining International Cooperation

20

3. Origins: Heavy-Industry Integration, 1945–1950

41

4. Setback: Military Integration, 1950–1954

104

5. Triumph: Economic Integration, 1955–1957

168

6. Beyond Postwar Europe

227

Index

257

1. Introduction

Western Europe, observed Winston Churchill less than two years after World War II, was “a rubble-heap, a charnel-house, a breeding-ground of pestilence and hate.” Like many of his contemporaries, the former prime minister attributed the continent’s misery to the nation-state system. A region divided into sovereign states animated by “ancient nationalistic feuds” could not remain reliably at peace. Indeed, his great fear was that the continent would never recover its past glories because the Europeans would “go on harrying and tormenting one another by war and vengeance” and “squander the first fruits of their toil upon the erection of new barriers, military fortifications and tariff walls.”

Churchill’s diagnosis of the situation prompted him to call for a “United Europe” based on Franco-German reconciliation. “If the people of Europe resolve to come together and work together for mutual advantage,” he told his listeners, “they still have it in their power to sweep away the horrors and miseries which surround them, and to allow the streams of freedom, happiness and abundance to begin again their healing flow.” Western Europe had a “supreme opportunity, and if it be cast away, no one can predict that it will ever return or what the resulting catastrophe will be.”¹

With the benefit of hindsight, most observers would argue that the Europeans have seized Churchill’s “supreme opportunity” and built a “United Europe.” Once distinct and competing nation-states are now members of a supranational community that has no parallel in modern times. That this should have happened in the very region that gave birth to the nation-state system makes the achievement all the more remarkable. How,

1. Winston Churchill, *Never Give In! The Best of Winston Churchill’s Speeches*, ed. Winston S. Churchill (New York: Hyperion, 2003), 437–38.

then, are we to explain this extraordinary political development? More specifically, how can we account for the construction of the European Community (EC)?²

The Argument

My central argument is that the making of the European Community is best understood as an attempt by the major west European states, and especially France and Germany, to balance against the Soviet Union and one another.

In the first instance, the Europeans were driven together by their collective fear of Soviet domination. When the guns fell silent on May 8, 1945, the Soviet Union was by far the most powerful state in Europe. None of the former great powers in the western half of the continent could hope to balance its power on their own. Moreover, they worried that the Americans, who had stepped in to defend them from the USSR after the war, might withdraw their forces in the not-too-distant future. This being the case, their only option if they wanted to provide for their own security, especially over the longer term, was the construction of some kind of west European coalition. Vladislav Zubok puts the point well: "In a sense, the Cold War polarization was the 'midwife' of the European Community."³

The sheer magnitude of the Soviet threat convinced the west Europeans that they must surrender their sovereignty and construct a military-economic coalition governed by a central authority. There was general agreement that a traditional alliance of the major states in the western half of Europe would be no match for the Soviet Union. Although a regular coalition of their national armies might approximate the Red Army in terms of size, it would not be nearly as effective as the single military force at Moscow's disposal. Similarly, as long as they retained separate national economies, they would not benefit from the economies of scale and technological advances that were accruing—and would continue to accrue—to the USSR by virtue of its vast single economic space. In order to compete effectively with the Soviets without U.S. help, the Europeans would have to establish a single military and economy of their own, a task that would, in turn, entail the creation of a central governing authority. This was not a welcome prospect since it required them to surrender their sovereignty over key policy areas. But the Europeans believed they had little choice. If

2. With the signature of the Treaty on European Union on February 7, 1992, the EC came to be known as the European Union (EU). Because this book is concerned mainly with events prior to 1992, I refer to the European Community, the Community, or the EC throughout.

3. Vladislav Zubok, "The Soviet Union and European Integration from Stalin to Gorbachev," *Journal of European Integration History* 2, no. 1 (1996): 85.

they were to avoid domination by the Soviet Union, then centralization was the only option. As Tony Judt notes, "For nations reared within living memory on grandeur and glory, 'Europe' would always be an uncomfortable transition: a compromise, not a choice."⁴

France and West Germany were fairly evenly matched and therefore agreed to share control of the emerging centralized coalition, an arrangement that has come to be known as integration. In power terms, there was little difference between France and the Federal Republic in the 1950s, and consequently both Paris and Bonn understood that they could not seize control of the coalition. They therefore settled for the more modest goal of preserving the roughly even balance of power between them. The best way to do that, they concluded, was to control the group jointly. If control was shared, they would have an equal say in policymaking, and the policies reached through the joint decision-making process would be applied uniformly to both of them.

In short, integration was at root a response to balance of power considerations. The decision to surrender sovereignty and establish a centrally governed coalition was driven by fear of the overwhelming power of the Soviet Union. No group of European states had faced such a mighty adversary since the advent of the nation-state system. Even as they came together in this unprecedented way, however, the French and the West Germans eyed one another warily and worried about the distribution of power within the coalition. It was this concern that led them to conclude that they had to share control of the group: to integrate and establish a community. Integration was the only formula that could conceivably maintain the existing, relatively even, balance of power between them.

Major Events

This kind of reasoning played out twice in the 1950s and in doing so established the core of today's EC. The European Coal and Steel Community (ECSC) was clearly the product of balance of power considerations. The French proposed the heavy-industry pool on May 9, 1950, believing that a centrally governed and jointly managed community of this kind would simultaneously establish a bulwark against Soviet expansion and maintain an even balance of power between France and the newly established Federal Republic. The Germans shared this view. Chancellor Konrad Adenauer, for example, was convinced of the need to construct a substantial counterweight to Soviet power in the western half of the continent and understood that the most Germany could hope for was joint control of the emerging entity. Given such a coincidence of views, it was only a matter of time before the two sides ironed out the details. France, Germany, Italy, and the Benelux states (Belgium, the Netherlands, and Luxembourg)—the

4. Tony Judt, *Postwar: A History of Europe since 1945* (New York: Penguin, 2005), 769.

Six—signed the Treaty of Paris establishing the ECSC on April 18, 1951, and the coal and steel pool began operations on July 23, 1952.

In the mid-1950s, the west Europeans went a step further and created the European Economic Community (EEC), again based on balance of power thinking. Although there had been talk of a full-blown economic community for some time, the process that ultimately led to the creation of the EEC began on June 3, 1955, when the Six declared their intention to establish common economic institutions, progressively fuse their national economies, and create a common market. The French and German decisions to commit to the process were based on pure balance of power calculations: a jointly controlled, regionwide economic community would produce enough power to deter Soviet aggression in the event of an American withdrawal from the continent and maintain a rough balance of power within western Europe. It took some time to negotiate the details of the agreement, but the decision had been made. On March 25, 1957, the Six signed the Treaty of Rome establishing the EEC.

The Europeans took it for granted that their economic community had to be buttressed by a fixed exchange rate system in order to survive.⁵ The general view, notes Sima Lieberman, was that currency fluctuations “led to trade wars, increased protectionism and a general fall in national income.” As Francesco Giavazzi and Alberto Giovannini observe, this meant that the Europeans had a “pronounced . . . distaste for exchange rate volatility.”⁶

Early on, the stability they were looking for was provided by their common membership in the Bretton Woods fixed exchange rate system. “It should be borne in mind,” states Jacques van Ypersele, “that the creation of the European Economic Community took place in the context of international monetary stability. The Bretton Woods system . . . was at the time not in dispute. Therefore it was nearly unthinkable to set up in the EEC an independent monetary system.”⁷ Horst Ungerer makes essentially the

5. On this point, see Emmanuel Apel, *European Monetary Integration, 1958–2002* (London: Routledge, 1998), 29; Barry Eichengreen, *The European Economy since 1945: Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2007), 189, 246; Francesco Giavazzi and Alberto Giovannini, *Limiting Exchange Rate Flexibility: The European Monetary System* (Cambridge: MIT Press, 1989), 1–7; and Horst Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU* (Westport, Conn.: Quorum, 1997), 55, 63, 97, 128, 137. I follow Jeffry A. Frieden in treating arrangements that require states to keep their currencies within narrow exchange rate target zones as equivalent to fixed rate systems (“Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration,” *International Organization* 56, no. 4 [2002]: 834, n. 3).

6. Sima Lieberman, *The Long Road to a European Monetary Union* (Lanham, Md.: University Press of America, 1992), 6; and Giavazzi and Giovannini, *Limiting*, 6.

7. Jacques van Ypersele, *The European Monetary System: Operation and Outlook* (Cambridge, Mass.: Woodhead Faulkner, 1985), 34. On Bretton Woods, see Michael D. Bordo, “The Bretton Woods International Monetary System: A Historical Overview,” in *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*,

same point: "When the negotiations on the EEC Treaty started, there existed a global monetary framework . . . that did not seem to require, on a regional basis, specific obligations for the coordination of monetary and exchange rate policies."⁸

Nevertheless, because they believed that the Bretton Woods rules allowed for an unacceptable degree of exchange rate fluctuation and that large swings might damage the community, the Europeans tailored the system to their own needs. The European Monetary Agreement (EMA), which entered into force on December 27, 1958, required participating states to limit exchange rate movements to three quarters of the spread allowed by Bretton Woods.⁹

By the late 1950s, then, balance of power considerations had pushed the Europeans to integrate their economies. Fearing they might be left to contain the Soviets without American help and cognizant that their long-term power rested on an economic base, they established a multistate economic coalition. This was no ordinary arrangement, however. Given the Soviet Union's overwhelming power advantage, the west Europeans understood that they would only be competitive if they built a single regional economy governed by a central authority. Thus, there is good evidence "pointing to Joseph Stalin as the true federator of Western Europe."¹⁰ At the same time, none of the major players had the power to seize command of the emerging entity and none were willing to hand over the reins to their partners. They therefore agreed to a system of joint control. In doing so, they became the first group of states to establish an integrated economic community in modern times.

These economic successes were not replicated in the military realm. Although the Six signed a treaty establishing a European Defense Community (EDC) on May 27, 1952, the French National Assembly rejected it on August 30, 1954, thereby wrecking any chance that the Europeans would establish an integrated military force. Two months later, the Six and Britain agreed to form the Western European Union (WEU), a traditional military alliance that was itself embedded in the North Atlantic Treaty Organization (NATO).

The French decision, which is the key to understanding the whole affair, was clearly informed by balance of power calculations: NATO involved a commitment of U.S. power to the continent and would therefore

ed. Michael D. Bordo and Barry Eichengreen (Chicago: University of Chicago Press, 1993), 3–108. Note that the "full-blown" Bretton Woods system did not operate in Europe until December 1958 when the Six established current account convertibility.

8. Ungerer, *Concise*, 46.

9. For brief overviews of the EMA, see Apel, *European*, 24–25; and Ungerer, *Concise*, 29–30.

10. Josef Joffe, "Europe's American Pacifier," *Foreign Policy* no. 54 (1984): 69. Joffe disagrees with this assessment, arguing that integration was the result of the American presence in Europe during the cold war.