

Telegram from Dean Acheson to James E. Webb on the Schuman Plan (12 May 1950)

The Secretary of State to the Acting Secretary of State

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Secto 234. (Section one of three.) From Bruce² for Department, Treasury and ECA. Roundup in this and following two cables [sections] by Embassy Paris is for your background information on origin French proposals.

1. French merger proposal apparently drafted within last few weeks by Monnet group. Reliably reported that Monnet began series of personal and individual discussions with only limited number of French Ministers after Bidault³ and Schuman had given project their blessing about two weeks ago. Schuman said to have enthusiastic immediate [reaction?] and no serious objections raised by other Ministers. Note that proposal is consistent with views expressed by Petsche⁴ on basic features FINEBEL⁵ approach. Very few French officials below ministerial level were consulted.
2. Cabinet reportedly gave final approval proposal Tuesday morning⁶ after very short discussion. Schuman reported to have sent personal message with general outlines of proposal to Adenauer⁷ over week-end and Adenauer wished to announce his support immediately. Actually did so in embarrassingly short time after Schuman's announcement. We have no comment from French on why British were not informed.
3. Monnet received congratulations on exceptional speed and secrecy with which French Cabinet had acted on proposal. Secrecy with which Schuman and Bidault handled question justified on ground that this only way in which action could have been taken without interminable delay. Active work began by French after Adenauer proposal and after British "bridge" proposal⁸ in reply to EPU in effect told French and Europe to go their own way.
4. When asked to comment on emphasis given in French statement on production for peaceful means and to reports by representative of UN on peaceful aims, senior officer of Monnet group referred to Schuman's remarks on bold and constructive initiative for peace and stressed need to change pessimistic approach on "cold war". See immediately following cable [section]. Purpose was a new perspective to get above present quarrels and divisions within Europe. When pressed how proposal was related to additional defense effort, source replied that, if additional armaments were required from French, they would have to be carried. In this event the proposal would facilitate production armaments on most efficient basis in a common effort. When asked if this meant French attitude on rearmament of Germany had changed, informant gave his personal view that proposal was designed to eliminate French fear of German aggression; this done no basis for French opposition to German rearmament would remain. This is one way in which proposal changes all aspects of present problems.
5. Monnet group well aware that pooling coal and steel industries on basis of equality will lead to real economic integration. Proposed merger called a "threshold", saying that this limited step could be taken now. Its impact would force further steps for integration rapidly, particularly reduction trade restrictions and "harmonization" of internal policies. However, it was stated that subsequent measures and developments have not been thought through. French

envisage transition period during which adjustments will be made to place industries on same basis. Wage costs, social charges and tax burden to be equalized. Price equalization funds would be necessary. Relative contributions of French and Germans not clear. (In subsequent conversation, Minister Finance officials said proposal would have implications for EPU but were not prepared to discuss question pending return of Petsche.)

6. Both Monnet and later Ministry Finance officials acknowledged that after establishment of equal competitive conditions, Lorraine heavy steel industry would tend to become preponderant but pointed out that this does not mean that German steel industry could not expand on economic grounds. Hirsch⁹ said that on other side perhaps as much as 20 percent of French coal capacity would have to be cut back. French wish to soft-pedal inevitable shifts in resources and labor even though provisions to facilitate reconversions are envisaged. Anxious idea not become lost in myriad of problems to be worked out.

7. French stress that proposal open to all countries. Say coal and steel prices for export would be same as prices within participating group. Also comment on contribution of proposal in eliminating real reasons for restrictions on trade and in establishing conditions of competition.

8. Steel industry not consulted. See Embassy press reviews for recriminations from steel industry. Monnet group would not guess as to how serious opposition would be from steel groups. At moment industry is making usual claims of inability to face modern German steel plants and creating smokescreen with slogans of bureaucracy and dirigisme; also following Communist line claim proposal forced by US in return for Indo-China aid. Hope has been expressed that industry opposition was based primarily on irritation because French Government took initiative without consulting them. See separate cable¹⁰ for Monnet memo on difference between merger proposal and cartel. (Monnet is leading advocate real anti-cartel legislation and policy of expansion in production.)

9. After has been ratified by Parliaments, no appeal is possible on decisions of arbiter in working out implementing convention. This approach designed to cut through nearly insurmountable obstacles to agreement on specific details.

(Section two of three.) During conversation reported section one this message, Monnet group referred to memorandum dated May 3 which was basic paper used in French Cabinet discussions of proposal.

Main points of document from notes are as follows:

1. France and western countries have reached impasse. Economic improvement of France and creation of Europe is being thwarted by fear and uncertainty. Every government effort is beginning to be evaluated in terms of contribution to "cold war". "Cold war" dominates thinking of responsible officials. Attitude tending to be negative obstructions [obstructs?] other constructive ventures. Pessimism generated is passed on to public and with this frame of mind prevailing, sudden "shock" would lead inevitably to war. In fact we are at war now.

2. Hopes of western peoples for peace must be made real again. An entirely new approach is needed—a limited, simple, practicable, immediate, dramatic approach, yet an approach fundamental enough to change entirely aspects of problems now before us; a first move, which will set in motion developments which will completely change course of events.

3. Situation in Germany is cancer obstructing peace. German political and economic situation must be changed and spirit of German people renewed. Unification of Germany is impossible to consider now because of differences between United States and Soviets. Complete integration of Germany into Western Europe has run into following difficulties: (a) West Germany cannot help but think always of eastern Germany, and western countries think of Germany as eventually unified. (b) Question of armament of Germany. (c) Varied political and economic relationships with different western countries. Americans insist on integration of Germany in Europe for following reasons: (a) Real beginning must be made in creation of Europe even though next steps not clear. (b) Americans have misgivings and doubts about capacity of France to lead in western Europe.

4. Continuing economic and political improvement of France is at stake. French steel industry cannot compete with German steel industry-coal price, etc. Limitation on steel production is not answer. Germans to seek capacity increase to 14 million tons. French will resist but after American insistence France will have to yield. This will lead to following train of events: dumping by Germany, protection of French industry, trade liberation irrevocably reversed, pre-war cartels, economic orientation of Germany to the east leading to political commitments with east, and France will resume Malthusian policy of high protection and limited production.

5. United States would welcome a French proposal which opens road to real solution: a solution which will contribute to cure of divisions and uncertainties in Europe—a solution which will eliminate fear of German domination—a solution which will help produce attitude of expansion by European industry, expansion based on competition but without domination.

6. Basis for solution is for coal and steel industries of France and other countries to have same point of departure as German industry. Possibilities of German industrial domination and dumping and cartels are thus to be eliminated.

7. Method of solution is creation of new international authority through exercise of national sovereignty. Present methods have led to impasse. OEEC, Brussels Pact, Council of Europe, lack concrete results. Change is needed. United Kingdom will not change anything if it affects arrangements with British Commonwealth. In any case British are waiting for Americans before going farther with Europe. New step depends on France. Only France can speak and act. European and American peoples want to hear their officials speak in terms of Europe working constructively for peace and of eliminating age-old feuds.

8. France must act in own interests. Since war France has made great strides in modernization, reconstruction, and recreating living standards and spirit of French people. For time France forgot fear of German aggression and competition. Now suddenly Germany is once again before France and once again France may adopt a Malthusian approach in economic and political policies. This cannot be permitted to happen. New approach based on constant progress in improvement of social and material conditions is only solution. End summary.

(Section three of three.) Following is translation of memorandum prepared by Monnet group defending proposed merger plan against accusation that it will create cartel.

“In all of its characteristics, projected organization runs counter to cartel:

1. In its objective. Objective of cartel is maintenance of high and stable profits and conservation of acquired positions. Hence price fixing, which permits marginal enterprises to maintain themselves and better situated enterprises to obtain differential profit. Objective of proposed organization is increase of production and of productivity by improvement of methods, broadening of markets and rationalization of production.
2. In its mode of operation. Cartel is essentially founded on agreements of which public knows nothing, and which serve interests of industry to detriment of common interest. Projected organization will be placed under scrutiny of public opinion, the United Nations will report on its activity, and it will appear directly responsible with respect to countries which it concerns.
3. In its means of action. Means of action of a cartel are essentially fixing of prices and production quotas and division of markets, i.e., permanent elimination of competition for benefit of an exploitation of markets by industry. Projected organization will use mechanisms of repartition and price equalization only as transitional measures designed to produce without shock necessary adjustment to a situation in which activity will divide itself rationally under most economic conditions.
4. In its management. Cartel is run by delegates of industry charged with serving interests of their principals. Projected organization will be confided to independent personalities who will possess, besides technical capacity, a concern for general interest which their position of public responsibility will keep them from forgetting.
5. In its scope. A cartel has a purely private, purely industrial and purely employer character. It is interested in only one industry and its profits. Projected organization will be responsible for two industries chosen on account of their fundamental importance to economy as a whole and even to political relations between countries which it brings together. It will also be responsible for raising standard of living of workers employed by these industries. Important parts of its mission will therefore be less to regulate status of these two industries themselves than to develop on basis of these industries methods and conditions necessary to elevation of standard of living of the workers as a whole and to an expansion of economies concerned. On account of this last feature, projected organization will acquire an authority which will impose itself even on governments. This is its political significance. In economic terms as opposed to a cartel, it will tend to produce same effect which would result from perfect competition but in doing so to pass through necessary steps without which establishment of this competition would run up against insurmountable resistance”.

Sent Department Secto 234, pouched Paris. [Bruce.]

ACHESON

- 1 The three sections of this telegram were sent separately during this time period.
- 2 David K. E. Bruce, Ambassador to France, temporarily in London for the Foreign Ministers Meeting.
- 3 Georges Bidault, French Prime Minister.
- 4 Maurice Petsche, French Minister of Finance and Economic Affairs.
- 5 A hypothetical combination of France, Italy, and the Benelux countries in a regional economic union.

6 May 9.

7 Konrad Adenauer, Chancellor, Federal Republic of Germany.

8 For documentation on the European Payments Union, see pp. 611 ff.

9 Etienne Hirsch, Deputy Commissioner General for the French Modernization Plan.

10 Section 3 of this telegram.