Alfred Müller-Armack, On the road to Europe

Caption: In his memoirs, Alfred Müller-Armack, former Chief Adviser to Ludwig Erhard at the Ministry of Economic Affairs of the Federal Republic of Germany (FRG) and member of the German Delegation to the Intergovernmental Conference on the Common Market and Euratom, recalls the differences of opinion in the German Government on the policy to be adopted with regard to the revival of European integration.

Source: MÜLLER-ARMACK, Alfred. Auf dem Weg nach Europa, Erinnerungen und Ausblicke. Tübingen; Stuttgart: Rainer Wunderlich; C.E. Poeschel, 1971. 267 S. ISBN 3 8052 0202 4. p. 91-103.

URL: http://www.cvce.eu/obj/alfred_muller_armack_on_the_road_to_europe-en-8db99080-c610-4206-af6f-1fa5182117f1.html

Last updated: 05/07/2016

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The failure of the European Defence Community meant that discussions about the European political community stopped for over a year. It was understood that progress in the military and political arenas would be difficult, although, after only a relatively short time, a substitute was successfully found in Western European Union (WEU). However, even though Great Britain was among its members, the Union was not in a position to revive the movement towards general European integration. The other effective organisation for European cooperation was the OEEC based in Paris, whose Council of Ministers met regularly in the Château de la Muette. This property was one built by the Rothschild family with considerable pomp in a spacious park near the Bois de Boulogne. However, the central conference room, decorated with elaborately carved wood panelling, proved to be too small to accommodate such a large international organisation, with delegations from 20 European states, as well as delegations from the USA and Canada. Nevertheless, what took place there in the Councils of Ministers under the leadership of the very convincing negotiator, the British Chancellor of the Exchequer, R. A. Butler, was of a high calibre and had memorable effects that influenced the reality of Europe. The organisation received its first great boost from aid under the Marshall Plan. The individual states were able to utilise this aid to varying degrees. The Federal Republic probably came off best here: unlike many other members who had concerns over their balance of payments, it was going into a period of prolonged trade and payment surpluses. It had to pay for its role as the exemplary recipient of Marshall Plan aid by having to withstand the growing pressure which was exerted on us by the countries that were less well placed. They called for equality, and behind this they were shamefully concealing the demand to allow a considerable rise in German price levels, which were regarded internationally as too low.

These negotiations did not mostly take place in the Council of Ministers but in meetings of the delegation representatives, led by the English Chairman, Sir Leslie Rowan, a highly able, elegant tactician who, however, soon left to work in the private sector. At the time, we were in the happy position of being able to acknowledge full employment and almost complete stability of the currency values, although the criticism of an increase in the price level of between 1 % and 2 % in the Federal Republic would not be silenced. There was a desire in Germany for absolute stability, although, of course, we had to realise that we live only in the second best of all possible worlds and that such demands on the monetary system are fundamentally Utopian. For many years, we had to accept the criticism of German stability and listen to suggestions of how German economic policy should be more liberally shaped, with particular regard to permitting imports. These exhortations were occasionally somewhat troublesome; but, as a defender of stability, we occupied a better position at the outset than those who recommended laxity. Nevertheless, the OEEC recommendations were an effective support. Internationally sanctioned proposals were taken very seriously in Bonn at that time, and we were, therefore, able to achieve many things there that we would not have been able to achieve by simply using our own arguments. The upward trend in the economy of the Federal Republic forced us to take measures which affected our trading policies. The climax of this process of interaction was reached when, in 1957, as a result of OEEC recommendations, the two reductions in customs duties aimed at stabilisation, which we wanted to use in an attempt to counter the price rises associated with the permanent boom economy, were successfully imposed. It can be seen as a unique event in the history of trade policy that a state was prepared to sacrifice over 40 % of its customs duties in order to allow in additional imports and achieve a better balance in trading policy. The second reduction was determined and ratified in the Bundestag within the space of one morning — a record for economic policy effectiveness in a democracy, albeit on the basis of international recommendations.

Later on, there was a tendency to ignore the OEEC, a body which required unanimity for its decisions. The first great breakthrough leading to a general rise in the level of prosperity in Europe, however, is no doubt due to this organisation. In conjunction with the European Payments Union (EPU), which operated with its support, it did excellent work for the liberalisation of European trade and also provided evidence that it is possible to act effectively at international level on the basis of unanimity. I still have clear recollections of situations in which some state or other dared to say no, in spite of the overwhelming influence of the ‘heavyweights’. Rarely did that answer remain final, however. The delegation concerned got itself into such

a precarious position in upsetting the community with its ‘no’ that animated telephone calls to the capital were usually conducted during the lunch break so that they came back into line after all. This was mostly successful, and unanimity was achieved.

After liberalisation, i.e. the abolition of quantitative restrictions, had made some progress, the concern of the German delegation was to attack foreign exchange controls, the instrument which destroyed international trade, which came into being after the major global depression. The positive target for the action here was convertibility. It is an undeniable achievement of Ludwig Erhard that he brought this point into international discussion with indefatigable zeal. His role in attaining this target has to be put on a par with the implementation of the currency reform and the abolition of controls. Our group from the Ministry for Economic Affairs joined in enthusiastically with a wide variety of conference initiatives. Just as before the currency reform, when the majority of those taking part in the discussions expressed doubt as to whether this would be possible at all, given the shortage of goods, here, too, we initially encountered international scepticism. Everyone listened politely to the arguments put forward, admittedly, but felt that they had to mount a fierce attack against them. As a proponent of convertibility, the German Ambassador to the OEEC and later Ambassador in Vienna, the late Dr Müller-Graaf, also played a very special role in this discussion.

In 1955, Ludwig Erhard, Wilhelm Röpke and I travelled around the United States in order to pass on our ideas to an international audience, using speeches by Erhard and discussion sessions. To audiences abroad, convertibility seemed to be some kind of quirky German obsession. Anyone who wants to be successful in the field of economic policy must not be afraid of repetition. This was something that we were very often forced to fall back on, since the very nature of our purpose meant that the speeches given by Erhard could not be varied. One of our outstanding interpreters in those days, Fräulein Grosse-Schware, was given the nickname ‘Miss Convertibility’, because she was able to give an English rendition of the substance of the speech by her boss, without previously being given precise information about its contents. It was only after this initiative, to which the German Federal Bank was eventually won over after considerable delays, that the OEEC continued its discussions on convertibility so that on D-Day it could take the steps generally regarded as necessary with the validation required. The European monetary agreement was invented, and, although it had very little practical significance in the future, it successfully calmed the situation. As we know, the breakthrough to convertibility did not come until 1958, when international negotiations on the addition to the European Economic Community of a European Free Trade Area collapsed — and this will be discussed later — and a decision was taken, in order to do something positive, that there should be a general move to convertibility at the end of December 1958.

In those days, we were faced with a choice and, if I may use a somewhat common expression, we really did not know on which side the grass was greener. Were we to opt for the all-Europe community of the OEEC, which, however positive the evaluation, seemed limited in its possibilities of bringing the European states closer together other than in a loose association, or should we make an attempt to go the way of the Coal and Steel Community in order to follow more ambitious goals in the group of the Six? 1954 and the first half of 1955 were filled with a lively discussion between the proponents of the worldwide concept and those of the narrower idea. The proponent of worldwide integration was Wilhelm Röpke. This courageous and unswervingly intellectually consistent supporter of conservative liberalism was, however, only effective through the power of his writing. His virtuosity as an author, which was often held against him by those who were envious and was one of the reasons for making his return from Switzerland impossible, was never in question. Since the days of his early academic career in Marburg, his vision of the correct path lay in the global economic interrelationships of the 19th century, characterised by the ideal of free trade. As he understood it, all that was necessary was to follow this path in order to bring about practical integration. A certain distance behind him came Erhard, who untiringly held numerous Ministerial speeches, in which he tended towards a worldwide integration concept. This, if restricted to European states, which seemed realistic to him, would primarily have to use a free market, in order to bring these states together. To the outside, however, the European organisation would have to be as liberal as possible in order not to discriminate against other countries. The supporters of the other version were more political in their thinking. They first wanted to stabilise the Community of the Six and shape it into a political institution. One exponent of this strict interpretation of the concept of integration was Konrad Adenauer, who wanted to continue the work he had begun with Robert Schuman. There was similar thinking from the German Vice-

President of the High Authority, Franz Etzel, from prominent groups in the Foreign Ministry then led by Hallstein, who was a Junior Minister, and also from Heinrich von Brentano, the parliamentary leader of the CDU and heir apparent to the Foreign Ministry, which was at that time still run by Adenauer himself.

It might be pointed out that there was no clearly recognisable willingness to do anything more, at least not in Britain, and in fact Great Britain showed little inclination to transfer from its influential position in the OEEC to the group of the Six. An argument over principles developed which was very difficult for me, since I became the man in the middle and was also friendly with both Erhard and Etzel. I was able, however, to mediate for a certain length of time, but the difference between the narrower conception of the EEC, which was even seen by some enthusiasts as the forerunner of a future European federal state, and the view that was pushing for worldwide integration, remained a point of controversy in internal German politics for many years to come and was basically the cause of the troubled relationship between Adenauer and Erhard, which continued to have an effect until 1963 when Adenauer lost the Chancellorship.

Later on, Erhard was accused of yielding too much. One thing that cannot be said of him, however, is that, although he was frequently prepared to go along with some point or other, he never sacrificed his basic theoretical and liberal ideas, and in Cabinet he also always defended them, in spite of all the problems that he faced as a result. This meant that there were, so to speak, two schools of thought on integration, that of the functionalists, on the side of Erhard, and that of the institutionalists, on the other side. In the years 1953/54, this struggle swung backwards and forwards. I was even then a little doubtful as to whether Erhard's position was correct; for however good a concept of purely functional integration might be, the new era demanded the creation of European institutions that had to be more firmly bound together than the OEEC. Admittedly, however, the idea of wanting to force European unity by means of institutions had to still be banished into the realms of Utopia.

This was the situation when, in spring 1955, the Netherlands Foreign Minister, Beyen, submitted a plan proposing a 10 % customs duty reduction for the states of Europe, spread over ten years. At the end of this period, duties in Europe would be totally abolished. The proposal included no more than an outline to indicate what was to come, but it doubtlessly pointed in the right direction, although none of the institutional questions were dealt with. Beyen himself resigned as Netherlands Foreign Minister shortly afterwards in order to take up another diplomatic role. His contribution as an initiator of the European Economic Community was forgotten.

The aim of giving a new impetus to European integration following the failure of the Defence Community was generally accepted. It was the methods to be used that were the cause of serious disunity. Some tended to take the form of integration as an end in itself, but, on the other hand, there was confusion between liberal integration and the general principle of free trade. This would, of course, also constitute a repetition of the solutions of the 19th century, which surely could not be applied to the present time. The initiative from the Netherlands and the other Benelux states had to be supplemented by a German idea, that much seemed quite clear. However, we were clutching at all sorts of possibilities without conviction. One thought was that the integration of the Coal and Steel Community should be extended by the addition of integration in transport and energy policy, and there were other similar projects. In order to bring the groups led by Erhard and Etzel to a unified position, I then made the suggestion that the main combatants should attend a private meeting at a location equidistant from Luxembourg and Bonn. The best place for this would be my little country house in Eicherscheid near Münstereifel, especially as it still did not have a telephone in those days, so that it would not have been possible to call away any of the important participants before agreement had been reached. On 22 May 1955, the rival groups met there: Erhard, Etzel, Brentano, Ophüls, Westrick and Rust, who enjoyed the particular confidence of the Chancellor, Regul from the High Authority and von der Groeben. Almost beyond all expectations, the negotiations in such seclusion actually culminated in success.

What were later several times referred to by Franz Etzel retrospectively as the 'Eicherscheid resolutions' came into being here, and he saw them as constituting the foundation of a unified German position on integration. It was agreed, and even Erhard agreed, that functional integration of a European policy must be complemented by the creation of an institutional structure that should be given the character of an

indissoluble customs union, initially restricted to the Six. The transfer to this should not come in one step; as envisaged by the Beyen Plan, it should be preceded by a transitional period. Integration was to include every aspect of industry that was not already covered by the Coal and Steel Community, that is, it should mean total integration. In agreement with Ophüls, I had added that, as well as economic integration and political unification, it would also be appropriate to have integration in the sphere of science and education, something along the lines of a European university, and furthermore, Europe should not be without a financial institution. In addition, the general opinion was that further areas such as transport, nuclear energy and energy policy should be integrated. With regard to these sectors, only the later institution of Euratom was actually created in the end. The 'Eicherscheid resolutions' were set down in a paper edited by Ophüls, and this was submitted as the German vote to the Foreign Ministers' Conference convened on 1 June 1955 in Messina. It was considerably more detailed than what was previously in existence and pointed clearly in the direction of the treaties to come. All those who had taken part left my refuge in the Eifel with the liberating feeling of having found a common line after the many quarrels, and I shared with my wife, who had been acting as hostess, the great satisfaction that the 'invasion' of so many prominent people had been so successful.

On 1 June, the six Foreign Ministers of the states of the Coal and Steel Community assembled in Messina. The German delegation was led by the then Junior Minister in the Foreign Ministry, Hallstein. It consisted of Ophüls, Rust and me, together with a further group of experts. The Italians, as their press demonstrated, were somewhat out of sorts that Adenauer had not come himself as Foreign Minister but had sent his Junior Minister to represent him. However, this was soon forgotten, especially since the Italian Foreign Minister, Martino, in whose constituency Messina was situated, was extremely pleased that his constituency was the venue for such an important conference, given the imminent elections. In the external arrangements for this conference, there turned out to be an all too visible element of indirect help with the elections which we had to perform; for, as a sign that something international was going on, we were driven every day from Taormina, where we were accommodated in the luxurious Hotel San Domenico, through the villages and the coast roads in a sweeping convoy to Messina. The Chairman was Paul-Henri Spaak, who then began to assume his commendable European role. In a short time, he managed to achieve the fundamental decision that from now on, genuine negotiations should begin between the six partner countries; the task of coordination and leadership of the delegations in the coming period was assigned to Spaak himself. It seemed unrealistic to all the participants that discussions on political integration should be resumed. The main thrust of the negotiations was dedicated to economic integration. This was to serve initially as the starting point for later political unification. The other areas mentioned as desirable areas for integration, such as transport and energy, were not given consideration. The achievement of cooperation in the area of nuclear energy in a second set of negotiations running at the same time as the talks on economic integration seemed to offer good prospects for the future at that time. Unfortunately, Spaak did not respond to my request to seek integration of research via a European university. He pushed the idea aside as being, in his diplomatic expression, very interesting, and it was actually only thanks to the obduracy of the Permanent Representative in Brussels, Ophüls, that it was later set down in Article 9 of the Euratom Treaty, albeit without this having led to any success to this day. This will be discussed later elsewhere. A more positive reaction was received to my proposal that a European Investment Fund be set up. Italy, in particular, showed interest in this, since it would use the funding from the Community of the Six in particular for the regions of the Mezzogiorno. This proposal was the starting point for the foundation of the European Investment Bank.

The negotiations in Messina were not easy, but they were sustained by a positive European sweep of approval. On the final day, the participants assembled in the Greek Theatre in Taormina which, from its circular auditorium, affords a view over the unending series of gulfs disappearing into the distance towards the south and was the unforgettable setting for a festival production performed in classical costume. In the evening, discussions were held in the Domenico Palace on the final wording of the concluding communiqué. The usual last-minute difficulties in diplomatic negotiations occurred, but, in the grey light of dawn, as the sun rose slowly over the Mediterranean Sea, an agreement was finally secured that was the start of a period of successful negotiations. Anyone who considers the subsequent slow progress of European integration can only think back with nostalgia to this period which saw a tremendous spurt in European activity, one which, in barely two years, an unimaginably short time for us today, led to the completed codification of the EEC and Euratom Treaties.

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