

Memorandum of Conversation between France and the United States (Paris, 13 December 1959)

Caption: On 13 December 1959, representatives of the French Foreign Ministry hold talks in Paris with a US Delegation on the establishment of a free-trade area in Europe.

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Memorandum of Conversation

Paris, December 13, 1959.

PARTICIPANTS

M. Couve de Murville, Minister of Foreign Affairs
M. Eric de Carbonnel, Secretary-General of Foreign Ministry
M. Olivier Wormser, Director of Economic Affairs, Minister of Foreign Affairs

Mr. C. Douglas Dillon, Under Secretary of State
Ambassador Houghton
Jacques J. Reinstein, American Embassy, Paris

M. Couve de Murville opened the meeting by expressing his pleasure at seeing Mr. Dillon in Paris. Mr. Dillon said he had a very useful discussion with M. de Carbonnel, M. Wormser and a number of their colleagues in the French government several evenings before. He said he assumed that the Foreign Minister received a report, but that he would be glad to give a brief account of American views if this would be helpful. He mentioned the various people with whom he had met during the course of his trip to Europe. M. Couve de Murville commented with regard to Mr. Dillon's reference to his talk with the representatives of the Outer Seven, that the Swiss and the Swedes were being very tough. Mr. Dillon replied he was not certain he had made much progress with them.

Mr. Dillon said he would outline general thinking of the US briefly. We had been watching the development of discussions regarding trade among the European countries for a couple of years, but he had taken no part in these talks. The United States Government had stated that, if the European countries wished to and could reach an agreement on a free trade area, we could accept such an arrangement. After difficulties arose in the negotiations, we had become concerned. We had become more and more concerned since negotiations had broken down. Since then, the situation seems to be developing into a political problem between the United Kingdom and its neighbors on the continent.

Mr. Dillon said more recently discussions had taken place leading to the conclusion of the Outer Seven agreement. The participating countries of course had a right to make this agreement. However, we did not like it. It appeared to us to involve more discrimination and we saw no political benefits resulting from the treaty. However, the treaty appeared to us to be consistent with GATT and the United Kingdom says that it has political objectives and benefits.

Mr. Dillon said that the question now confronting us was how the Six and Seven could be brought into a harmonious relationship from a political and economic viewpoint. On the economic side, it was difficult to see how a relationship between the two groups could be established without departing from the GATT rules. Such a departure, he said, would be bad and might make it impossible for the United States to maintain its liberal trade policy. An abandonment of the United States of this policy would lead to serious repercussions.

Mr. Dillon said that under the circumstances, we thought that the time had come for us to play a more active role in this question. He therefore came to Europe to talk over these problems and to explain our viewpoint. There had been a number of stories in the papers that we were opposing the project of the Seven. In his discussions with the British, he had attempted to make clear that we were not opposed to the agreement, but we were not enthusiastic about it and were concerned regarding the political problems which had been generated by differences of opinion regarding trade questions. We felt that there should be a settlement of these issues in the near future which was not discriminatory against the outside world. We also wished to take part in the discussions. Mr. Dillon said he had also mentioned to the British the desirability of coordinating policy regarding aid to underdeveloped areas. The British had agreed and thought that this task

might be undertaken in conjunction with the discussion of trade policy.

Mr. Dillon said that he had encountered general agreement with the views which he had expressed. He mentioned that he had had a conversation of about three hours' duration with Chancellor Adenauer. One point of difference in his talks with the Germans was that the Germans felt, in the light of their conversation with the British, that the United Kingdom was still pressing for the big free trade area. Mr. Dillon said that he had also urged on the Germans that they should do more in the way of aid to underdeveloped areas. They had agreed that they should do more. The Germans were of the opinion that discussions should be undertaken now on these matters. He had also found the Dutch in agreement with the need for doing so.

Mr. Dillon said he had stressed to the Germans, the Belgians and the Dutch the importance attaching to the EEC operating on liberal trade principle. In his conversations with the British he had told them that he felt that they had been operating on a different assumption regarding the future conduct of EEC than we had. We had expected the EEC to follow liberal policies and to adopt an outward looking attitude, whereas the United Kingdom had expected it to be protectionist. On the whole, it appeared to us that our assumption was proving to be well-founded. However, great importance would attach to the outcome of the List G negotiations. This would be the first decision which would be freely taken by members of the Community on tariff policy, and it would be interpreted as an indication as to whether the Community would follow a liberal policy or a protectionist policy.

Mr. Dillon said that, in his discussions with the British, he had been asked about our attitude toward a big free trade area. He had said that it was the same as before. If such a free area could be established without injury to the Common Market, and if it were consistent with GATT, we would accept it. We had in fact no alternative to accepting it, and we would certainly not take the lead in attempting to block such an arrangement if other people wanted it. On the other hand, we doubted whether it was practical to talk about such an arrangement at the present time. The British had said they agreed. They were in no hurry to begin conversations. They did not want to have another failure and they thought that if negotiations were taken at this time, they would result in a failure. The British had also said they now accepted the political concepts involved in the Community of Six.

Mr. Dillon said he had told the British there was one point on which we felt we were in disagreement with them. It seemed to us that there should be some conversations on general policies now. Also, we felt that there should be discussions of specific trade problems created by the EEC which were more serious for smaller participants of the Seven than for the British. We had no feeling as to whether these discussions should be conducted by members of the Seven individually with the Six or as a group. Mr. Dillon said that the British welcomed US participation but made no suggestions as to procedure.

Mr. Dillon said he had also discussed in Brussels with the representatives of the Community the question of accelerating the application of the Rome Treaty. He hoped that the process of acceleration could be combined with some move to reduce the common tariff. He also discussed this question with M. de Carbone's colleagues in Paris. He thought there was a general measure of agreement except on the question of timing. There had also been an agreement to have a meeting of experts to look at the relative levels of the American and the common tariffs.

Mr. Dillon said that the question which then arose was how further discussions should be conducted. He had raised this question in his discussions with the Germans, the Belgians and the Dutch. All three of them had come up with about the same answer, that is, some form of reorganization of the OEEC. He had commented that this was certainly one way in which discussions could be carried on, and perhaps the most practical. There seemed to be general agreement that we should not have a new international organization. There also appeared to be agreement that it would be undesirable to have one big conference. It would be impossible to solve these issues in a single conference. Expectations of great solutions would arise and would inevitably be followed by disappointment and concern. If the OEEC were to be employed, it would have to be very fundamentally reorganized. The original tasks of the organization had been largely completed. It would have to be converted into an institution for economic cooperation not confined to Europe. Some small body would have to be established to undertake this task. Mr. Dillon said that he had found general agreement that

this should be done, but no suggestions as to how it might be done.

Mr. Dillon said, in his discussions with representatives of the French government, that they had raised a very practical problem. The OEEC was established by treaty and it would take a very long time to modify it. If it were to be used, the task would have to be undertaken promptly. Mr. Dillon said this was a good point. He thought the way to deal with the matter was to decide to reorganize the OEEC and to entrust the work to a committee of representatives of the four big powers plus those represented on the Executive Committee of the OEEC. This would bring in Italy and some of the smaller countries. This group would also undertake discussions of the problems of relationship between the Six and Seven.

Mr. Dillon said that the suggestion had been made that, in order to get out of the OEEC framework, the matter might be taken up in the Heads of Government meeting. The United States Government had not come to any conclusion regarding this idea. Clearly, it would not be desirable to ask OEEC to reorganize itself.

Mr. Dillon said that there appeared to be a good deal of interest in the possibility of using a reorganized OEEC as the method of dealing with the discussions. When the subject had been mentioned in his conversations in London, he had found the British extremely interested. They said they would very much like to have American participation. The British had volunteered the statement that they had been more or less in charge of the organization for sometime and they were quite prepared to give up this position. Mr. Dillon said that any change in the OEEC would, to make it suitable for the purposes which were being discussed, have to be quite fundamental. Any feeling that the organization was working against the Six would have to be removed.

M. Couve de Murville said he thought he was in complete agreement with the general lines of American thinking as outlined by Mr. Dillon. The main French interest in the Six was a political interest. However, they thought it was a good thing from an economic viewpoint and it seemed to be working very well. It was for this reason that the French could not accept the idea of a free trade area. At the time the discussions on a large free trade area had come to a head last year, the objections which had been made by the French had been expressed in economic terms. However, it had been clear then that, if they were to enter into a free trade area, it would be at the cost of the Community of Six.

The Foreign Minister said that the British had told the French, as they had told the Germans, that their political objections to the Community of Six had been removed. He said he was not sure that, at the bottom of their hearts, they really meant this. Mr. Dillon said that he was likewise not certain, but he thought the important point was the British were saying it.

The Foreign Minister said that, at the beginning, the project of the Seven had been purely a tactical move. He did not think that the British expected it to succeed and he was not certain that they were very happy about it, now that they had it. Mr. Dillon said that he agreed. In any event, the Foreign Minister continued, the question now was what one should do. There were not many possibilities. One was to have a large free trade area. To this, the French were opposed. Another possibility was to set up some form of preferential arrangement between the Six and Seven. This would not be objectionable to the French, since it would not affect the Community of Six. However, it was clear that it was not acceptable to the Americans and therefore was not desirable. The British appeared to be in agreement with these thoughts, at least they say they are. If these possibilities are ruled out, what is left? The only other possibility which he could see was to develop trade with everyone on the freest possible basis and on a non-discriminatory basis. Despite what the British said, he thought they really were still hoping for some preferential arrangement.

Mr. Dillon said he agreed. He added he had accomplished one thing, he thought, in his discussions with the British. He had heard last year that the British and possibly others of the Seven were disinclined to go into the GATT negotiations. He had strongly urged on the British the need for entering seriously into these negotiations. The British had said they would talk with the other members of the Seven. In his subsequent talks he had also raised the point with representatives of the smaller countries of the Seven, who had said they very much wanted to have serious negotiations in GATT.

M. Couve de Murville commented that the small countries are always ready to carry on discussions, perhaps in the hope of getting at least small results. He believed there was agreement among the Six that the EEC should follow a liberal policy. He was certain M. Pinay would tell Mr. Dillon that he favored a liberal policy, in fact even a more liberal policy than M. Couve de Murville favored, if that were possible. At the present time, the French government was not encountering a great deal of opposition to the adoption of such a policy. In part this was the result of the favorable economic situation, since the effects of devaluation have not completely worked themselves out. Also, this had resulted in part from the Common Market itself. French industry had found that competition had not hurt it.

The Foreign Minister said that the problem was how to carry on among ourselves discussions on how to be liberal. One possibility was in the GATT negotiations which were to be undertaken under the initiative of Mr. Dillon. This would involve negotiations regarding the level of the common tariff. By definition these negotiations involved the question of reciprocity, regardless of whether the French or the Americans are right as to whether the American tariff or the common tariff was higher. He thought there was agreement that the British tariff was higher than either. At any rate, one of the first topics to be discussed was the question of reciprocity itself. As to the method of discussion, the French view had been that it would be desirable that the problems be discussed informally by the principal countries concerned. As he understood it, the Americans were suggesting that the discussions should be undertaken in a reorganized OEEC.

Mr. Dillon said that he did not think the discussion of these major problems could be left to experts. The problems would have to be discussed over some period of time. The mere undertaking of the discussions would be helpful. The discussion would be more useful if it were done within some framework. We also have to find a place for dealing with the aid problem. The question is whether it would be easier to abolish the OEEC and establish a new organization or to use the existing organization and to reform it.

The Foreign Minister said it seemed to him that one did not need a "heavy" organization. To this Mr. Dillon agreed. M. Couve de Murville said the OEEC was a rather heavy organization. It had eight hundred to a thousand people on its staff. If the United States joined, this number would be doubled. Mr. Dillon expressed surprise at this number.

M. Couve de Murville said that, as he saw it, there were two drawbacks to using the OEEC. One was this administrative heaviness. The other was the general spirit of the organization. It has always been a European organization. Its activities had been directed to European problems. In addition, it had been opposed to the Community of Six. This was even true of the representatives of the Six in the OEEC, with the possible exception of the French representative. As he saw it, what was needed now was somebody whose activities were directed more broadly, perhaps on an Atlantic basis.

Mr. Dillon said the new approach might be on an Atlantic basis or without any regional connection. It would be desirable, for example, to associate Japan with the coordination of policy on aid. The Japanese had extended extremely large sums of money as aid under the heading of reparations. M. Couve de Murville said that the association of Japan in trade matters would, on the other hand, involve rather delicate considerations.

Mr. Dillon said that he thought there should also be provision for representation of the European Economic Community. The Foreign Minister said that he agreed. There was no problem about this. As soon as one entered into a discussion of tariffs, it was essential to have the Commission participate, as it was to participate in the forthcoming GATT negotiations. Mr. Dillon said he thought that the presence of the Commission should help develop the right spirit in the discussions. The Foreign Minister expressed some doubt, recalling that the Commission had participated in the free trade area negotiations last year.

M. Couve de Murville said he assumed that the body would not have any executive character. Mr. Dillon replied that it would not; it would merely be a place to talk. M. Couve de Murville said he also assumed that it would not engage in detailed planning in regard to aid. Mr. Dillon agreed. He said it would be concerned only with general policy coordination.

The Foreign Minister asked what specification could be taken. He thought something should be done soon. It would be undesirable to allow the question of relations between the Six and Seven to become further crystallized and hardened. Mr. Dillon said that, if the chiefs of government were to decide that something should be done, this would give the process considerable impetus. The Foreign Minister agreed. He said there would be some difficulties, with Italy for example. Mr. Dillon said that the subject had come up during the President's discussions in Rome. The Italians had suggested reorganization of the OEEC. The President answered, not on the basis of briefing, that this appeared to him to be a good idea.

M. Couve de Murville said that, if a decision in principle were taken at a Western summit meeting, the subject could presumably be discussed further at the time of the January OEEC meeting. This would be purely a formal meeting. However, under the circumstances, a discussion by a more limited number of countries could be held a day or two before the formal meeting. Mr. Dillon expressed general agreement with this suggestion.

M. Couve de Murville said he thought it would be useful if the Heads of Government could take a decision on the subject. This would in effect settle the matter and remove it from debate. The discussion could then proceed to the modalities for carrying out the agreement. He asked what the British reaction to all this would be. Mr. Dillon said that they had indicated agreement with this general approach in his talks in London. They had expressed the view that it would be generally agreed with the possible exception of the French. M. Couve de Murville said he had discussed the problem in general terms with Lloyd on the occasion of his general visit to Paris, and he had told Lloyd that the United States must be brought in on future discussions on trade problems.

The Foreign Minister then asked what specifically the Heads of Government would be asked to decide. In response to a question by Mr. Dillon as to his ideas, M. Couve de Murville said that the most important trade problem was that of the Six and Seven. The United States and Canada should be brought into the discussion of this problem. He thought that the Heads of Government might agree that the four governments should discuss the problem and the methods of dealing with it. He thought that whatever formula is adopted should be a very simple one. For example, the Heads of Government might agree that the four governments should consider ways of studying the problem in association with other interested nations.

The Foreign Minister said he wished to be clear on one point, and that is the problem would not be given to the OEEC people for study. Mr. Dillon said that it would be studied by representatives of the governments.

A general discussion then followed regarding the various functions of the OEEC which would have to be sorted out. Mr. Dillon said that he thought that the European monetary agreement should be put to one side and dealt with separately; he said the United States did not wish to take part in this arrangement. It was also noted that the OEEC had functions in the atomic field, for which some provision would have to be made. The Foreign Minister asked about the work on quotas. Mr. Dillon said that this had been pretty well accomplished on a general basis and that the remaining problems involved largely questions of specific cases.

M. Wormser said it was easier to talk about liberalization on a world-wide basis if economic conditions were good. It was difficult in times of recession. He asked whether it would be possible to consider in this new body questions of "politique de conjuncture" (business cycles). Mr. Dillon said that the Germans had also asked him this question. He personally thought that this was a subject on which we would have in time come to discuss. We were increasingly becoming more interdependent. He said we would have to be frank to say that there were differences of opinion on this subject within the United States Government and that he could give no response at this time.

M. Couve de Murville suggested it would be desirable to have a piece of paper to put before the Heads of Government. Otherwise the opportunity for dealing with the matter would be lost. He asked whether it would be useful for the French to prepare a draft and send it to Mr. Dillon. Mr. Dillon said it would be most helpful and that, if he had left by the time it was prepared, it should be sent to Secretary Herter.

The Foreign Minister said he assumed that the matter would be discussed with the British and Germans before it was raised with the Heads of Government meeting. Mr. Dillon said this would certainly be necessary. He did not think any difficulty would arise.