

BILDERBERG GROUP



SUMMARY OF DISCUSSIONS

Enlarged Steering Committee Meeting

De Bilderberg Hotel, The Netherlands

17-19 January 1959

Confidential

BILDERBERG GROUP

Enlarged Steering Committee Meeting

The Bilderberg Hotel

Oosterbeek

17th - 19th January, 1959.

List of Participants

H.R.H. The Prince of the Netherlands
Chairman

J. H. Retinger
Honorary Secretary

Joseph E. Johnson
Honorary Secretary in the
United States.

AGNELLI, Giovanni

Italy

ANSIAUX, Hubert

Belgium

ARON, Raymond

France

BALL, George W.

United States

BERG, Fritz

Germany

BEUGEL, E. H. van der

Netherlands

BIRGI, Muharrem Nuri

Turkey

BOVERI, Walter

Switzerland

BRUTELLE, Georges

France

CAMU, Louis

Belgium

CHRISTIANSEN, Hakon

Denmark

DEAN, Arthur H.

United States

FERGUSON, John H.	United States
GAITSKELL, Hugh	United Kingdom
HEINZ, H. J.	United States
KILMUIR, The Viscount	United Kingdom
KRAG, J. O.	Denmark
MALAGODI, Giovanni F.	Italy
MATHON, T.D.B.H.	Netherlands
MAUDLING, Reginald	United Kingdom
MUELLER-ARMACK, Alfred	Germany
NEBOLSINE, George	United States
OHLIN, Bertil	Sweden
PIETTE, Jacques	France
PIRELLI, Alberto	Italy
QUARONI, Pietro	"
REY, Jean	European Economic Community
RYKENS, Paul	Netherlands
TENNANT, Peter	United Kingdom
VILLIERS, George	France
WOLFF VON AMERONGEN, Otto	Germany
<u>In attendance:</u>	
de GRAAFF, Franz	Netherlands
POMIAN, John	United Kingdom

Two papers were submitted to participants in advance of the discussion. One of them examined the economic and technical aspects of the problem of associating the E.E.C. with the other countries of the O.E.E.C., and put forward a number of suggestions for an arrangement leading towards the establishment of a Free Trade Area. The other examined the political issues brought to light by the negotiations which took place during 1958. The questions these papers raised and which participants were invited to discuss were broadly speaking two-fold. What was the nature and the extent of the difficulties encountered, and were there any solutions possible? Was the failure of the negotiations so far due to economic or political reasons, and if the latter was the case what were the underlying political obstacles?

The economic and technical aspects of the problems were examined with some care and many points were clarified in the course of the debates. In particular, the history of the negotiations was recalled. The first suggestion for associating the other O.E.E.C. countries with the Six originated with the Spaak Committee in 1956, and was later elaborated in the Snoy report in 1957. Negotiations were delayed pending the ratification of the Rome Treaty, but, as one of the British participants stressed, by the end of 1957 the broad concept of the Free Trade Area was known by everybody concerned. Some importance was attached to this point as doubts were expressed whether the implications of this agreement were fully understood, and whether some of the partners had not reinterpreted its meaning in the course of the subsequent negotiations. Though indeed the attitude of the partners had changed by the end of 1958, and the British participants emphasized their surprise at the evolution which took place between 20th October and 15th November of that year, it was generally agreed that the significance of the Free Trade Area as a final form of association between the Six and the Eleven remained unchanged.

Again, some of the British participants emphasized that the negotiations took place, not on the basis of a British plan, but on an agenda drafted by the inter-governmental committee of O.E.E.C., taking the Rome Treaty as a basis, and examining point by point the measures and policies necessary to permit the establishment of a Free Trade Area alongside the E.E.C. The Free Trade Area should not be therefore considered as arising from a desire to torpedo the Common Market. Indeed, it was apparent that the E.E.C. was approved on all sides, and everybody wished it success.

Frequent references were made to the Ockrent memorandum embodying the joint counter-proposals of the Six. It was recalled that, at the beginning of 1958, M. Faure, on behalf of the French Government, suggested the preparation of positive counter-proposals as an alternative to piecemeal reservations on the various points which were coming up for discussion.

These proposals after discussion between the Six resulted in the Ockrent memorandum presented in October. It maintained the concept of the Free Trade Area as the final end product of the suggested transitional period. Negotiations started again, and though the British side was hopeful of a satisfactory conclusion, they broke down in December. Some of the speakers expressed their concern at what they understood to be an inexplicable change of attitude on the part of the Common Market countries. Although this might appear as a departure from the agreed premises, one of the participants observed that the Ockrent memorandum was incomplete in certain respects, and that, nevertheless, it led to some progress which was why the subsequent breakdown should not warrant a too pessimistic view of the future.

As it was, the negotiations then in progress encountered three areas of difficulty. There was in the first instance the question of tariffs and quotas, and two problems arose under that heading. The major one was what was called the problem of "discrimination".

The Eleven wished to establish a parallelism between the liberalisation measures of the E.E.C. and those of the Free Trade Area, so that it could at no point be claimed that contrary to the established practice within the O.E.E.C. one country was discriminating in its tariffs and quotas between its imports from the Six and from the Eleven. Great importance was attached to this principle by the Eleven, partly because of the adverse psychological and political reaction which might result in their countries. It became apparent, however, in the course of the discussions that the chief protagonists of the Free Trade Area would be prepared to compromise on this issue. As some speakers pointed out, this might be possible, provided it was certain that at the end of the transitional period, a Free Trade Area complementing the E.E.C. would be established (in other words, that the discrimination would only be temporary) and also provided that this discrimination resulted from a desire to compensate for unfair disadvantages but not from a desire to give protection to goods produced in the Six as against goods produced within the Eleven. Such discrimination, which would take the form of compensation duties designed to make competition equal, and avoid giving unfair advantages to producers outside the Common Market could be accepted when there was a special reason for it but not as a general principle. In any case, such a discrimination should be limited, clearly defined and temporary.

That is why the decision of the Six, prompted by France, not to extend the 3% quota reduction to all the O.E.E.C. countries, attracted criticism. Since this measure could not hurt any one of these countries, and on the contrary, could be held on general economic ground to be beneficial to all, it was considered to be a pure case of discrimination for discrimination's sake. French participants pointed out, however, that it was precisely on grounds of principle that they attached such importance to this question. French industry at present

feared that the principle of parallelism would be established from the start, even before a satisfactory conclusion of the Free Trade Area negotiations, in the application of liberalisation measures within both areas. As one of the Italian participants pointed out, the 3% was only a semantic sign for all other percentages that would have to follow.

It was obvious that on both sides the clash between the conflicting principles of "non-discrimination" versus "discrimination" to which such prominence was given, gave rise to political apprehension. While the Eleven feared that "discrimination" was caused by an underlying dislike of the Free Trade Area, the Common Market countries suspected that the insistence on "non-discrimination" was directed against the Rome Treaty itself. Indeed, the essence of an economic union, as contemplated by the Community, necessarily involved discrimination against non-members. The Common Market countries accepted certain obligations, and gave certain guarantees, and consequently obtained advantages, which they did not wish to share, unless they could obtain in return similar obligations and guarantees. To be sure, advantages and obligations could be negotiated by mutual consent and a fair balance could be struck, but as one of the participants observed, in the absence of a political motive behind the Free Trade Area, anyway in a degree comparable to that of the Rome Treaty, many people within the Six adopted an emotional attitude which complicated matters.

Another difficulty in this field was the freedom claimed by the Eleven to modify tariffs as regards third countries. This raised objection on the part of the Six who noted lately a stiffening of the Free Trade Area countries in this respect. One of the British participants remarked, however, that certain assurances could be given, namely, as regards consultations preceding any such measures, and that unjustified or unfair acts could be avoided. Here again, it seemed that a compromise could be reached.

While certain transitional compromise solutions were envisaged, which would involve for the E.E.C. countries, at least as regards some specific items, a three-tier system of tariffs and quota levels, (for the member countries of the Community, for the Free Trade Area and for others), the necessity of obtaining the approval of the GATT was emphasised; great care should be taken not to weaken or hurt in any way that organisation. The attitude of third countries and particularly of the United States would largely be determined by the behaviour of European countries as regards GATT.

Another area where difficulties arose concerned the harmonization of internal economic policies, and particularly of social policies. Some references were made to the problem of social security costs, and their effect on prices, and to the policy of equal wages for men and women.

It was felt, however, that in this respect, solutions could be found. In any event, as one of the Dutch participants pointed out, the Benelux experience disproves the thesis whereby a certain harmonization has to precede the opening of frontiers. The Benelux is a proof that even with great differences in wages and social structures the frontiers can be opened to the mutual benefit of all the partners.

The third area concerned common institutions. The signatories of the Rome Treaty felt that the unification of their economies would necessitate common institutions exercising at least a certain measure of supra-national power, and that in various fields of policy, joint decisions should be arrived at on the basis of majority voting. The Free Trade Area countries, however, as some speakers pointed out, though not accepting this approach were nevertheless prepared to envisage the setting up of a minimum number of institutions, whose competence, initially limited, could be extended as the need arose. They were also prepared to depart in certain limited and strictly defined spheres from the unanimity rule. Here again, it was felt that the obstacles were not insuperable, and that satisfactory solutions could be negotiated.

During the course of the discussion it became increasingly apparent that while satisfactory solutions could conceivably be arrived at on most of the disputed points there were some deeper underlying problems more difficult to resolve. Reference was made, for instance, to the opinions which were at various times expressed among the countries of the E.E.C. that the Free Trade Area would give the United Kingdom unrequited advantages. The exemption of agricultural products and the retention of Imperial preferences were cited as having contributed to creating that impression, although at a later stage, certain modifications of the British position and the clarification of the issues involved went a long way to meet this argument. To be sure, the Eleven and, in particular, Great Britain, took a stand which was advantageous to themselves, but, as one of the British participants pointed out, this was a negotiating position, and concessions could be envisaged - but only if there was certainty that the other side was willing and able to accept a Free Trade Area.

Some of the underlying difficulties which were at the background of the negotiating position of the Common Market countries were brought out by several speakers. Among these, of a more general nature, were the differences in economic philosophy. The Six shared the view that the setting up of a unified market necessitated harmonization of policies, not only as regards foreign trade, but also as regards money, social welfare, and many other sections of economic policy. This was expressed in the setting up of common institutions, having extensive executive powers. The Eleven were not prepared to go as far. Divergent views existed even among the Six, resulting both from different historical development and different economic conditions. While the Dutch economy was largely dependent on foreign trade, this was not the case for France, which imports only about 10 per cent of its total requirements. However, the situation of

France was changing. The new reforms introduced by France at the end of December, and to which all speakers paid warm tribute, would certainly bring a radical improvement in this respect. By making a break with its protectionist traditions, France was entering on the road of liberalism which among other beneficial results would bring her in line with her partners in the community. As one of the speakers observed, convertibility implies the necessity of harmonizing monetary policies, in itself a measure tending to bring together all the countries of O.E.E.C. It should tend to have an anti-inflationary effect, which again should encourage liberal foreign trade policies, and generally strengthen multilateralism in trade relations. Though one of the participants dissented from that optimistic view, others tended to share this opinion. As it was, however, some speakers considered that the drastic medicine which France so courageously decided to swallow would now require a period of convalescence and that it would be unfair to put pressure on her at that stage.

In this context, mention was also made of the technical difficulty arising from the fact that the newly established community which has been entrusted with the task of taking over the negotiations on behalf of the Six, had not been materially in a position to cope with all the problems resulting from its assignments.

Again certain unforeseen difficulties over the application of the Treaty came to light in the course of 1958, which to some extent contributed to the modification of the attitude of the Six regarding the Free Trade Area negotiations which was mentioned by some of the British and Scandinavian speakers.

This time factor was referred to on several occasions by participants who advised against too great a hurry.

But, above all, the Common Market expressed a political idea and a political will. It did not come into being as a result of an economic necessity, and indeed, one of the French participants, though acknowledging the economic advantages which it would bring, said that from that point of view it was far from being a rational solution to the problems confronting the member countries. These were common to an area much larger than the community and should be approached on a wider basis. The E.E.C. was conceived in part as the nucleus and catalyst of a larger union which other European countries could ultimately join. As it is, the existence of a strong political resolve in the background, enabled the Six countries to embark on a venture, many aspects of which - such as in the field of agriculture and currency - were left undefined. There are indeed many gaps in the Treaty, and many problems were left open to be settled as and when the experience developed. The solidarity resulting from the realization of a common destiny that henceforth was to be shared by these countries, was considered a sufficient assurance against the risks of a largely unpredictable

future. As one of the French participants pointed out, such an ideological content was not apparent in the Free Trade Area, which from that point of view bore no resemblance to the O.E.E.C. or N.A.T.O. This would largely account for the underlying hesitations and fears.

On the other hand, the strong political colouring of the E.E.C. might give rise to the apprehension that it might tend to have an inward rather than an outward looking character. On this score, several of the participants from the Six emphasised that the Community was strongly conscious of its obligations towards the outside world. Some of the European countries might fear the deflections of trade which might result from the emergence of a vast new unit in the centre of Europe. Neither the precedent of the Benelux nor of the Coal and Steel Community would seem to justify such fears. The Community was, however, mindful of this factor, and assurances were given of a generous attitude, particularly as regards such countries as Austria and Switzerland, which were strongly dependent on the Six for their foreign trade. Again, as regards the overseas countries which might fear the stronger competitive position of the European countries, whether of the Common Market or the Free Trade Area group, it was stressed that this problem should be examined not only from an economic but also from a broader political point of view.

Participants were reminded that presently, in view of the resumption of negotiations in February, the Commission of the Community was preparing fresh proposals which would be submitted in a matter of weeks to the Council of Ministers. If, as was expected, these were agreed upon some preliminary informal consultation would take place with the Eleven before these proposals were officially submitted as a basis for negotiation. One of the speakers assured the meeting that the solutions proposed would be liberal, multilateral and evolutionary in character. They would take account of the known views of all parties to the negotiation, and therefore were likely to be acceptable to the chief protagonists. Indeed, in the course of the debates, it became clear that an acceptable method of establishing the Free Trade Area could be found. The paper on the economic and technical aspects of the problem of association of the E.E.C. with the other countries of the O.E.E.C. submitted to the participants did put forward a number of suggestions and outlined the method to be followed. Starting from the results already achieved in the course of the negotiations it proposed a pragmatic approach for solving the outstanding issues. The transitional solutions envisaged were based on the principle that there should be no victims and no deflection of trade. With minor reservations, as was shown by a poll conducted among the participants, there was a general agreement with the broad lines of the argument contained in that paper.

While referring to future negotiations, some participants, recalling the atmosphere which developed by the end of 1958, particularly in December, stressed that it would be helpful if they could take place in less pressing conditions, in a more pragmatic frame of mind and generally in a more friendly and good-neighbourly attitude on the part of everybody concerned. At that time emotions became ruffled and things were said on both sides which considerably complicated the issue.

The fact that solution seemed possible and the general agreement on the broad lines along which it should be sought emphasized however the fundamental problem. Are France, and the other countries of the Community associated with her, prepared to commit themselves to this ultimate acceptance to the Free Trade Area? Various transitional arrangements would seem to be acceptable to Great Britain and her partners if only a sure answer could be obtained to that crucial question. Otherwise it could be feared that a pragmatic approach would fail to lead to the complete fulfilment of the ultimate objective, and that transitional measures could last indefinitely while the bargaining position of the parties could be modified in the mean. This could explain the paradox referred to by some of the participants why over this question, the British tended to be cartesian while the French were pragmatic.

Some of the French participants tried to answer this difficult question. It was certain that the new French Government will uphold the Rome Treaty will faithfully fulfil all the obligations to which it subscribed. It was more doubtful whether it will pursue much further the political objectives of the Community as defined by its ultimate aim of a supranational political organisation, but it will undoubtedly strive at a closer inter-governmental political cooperation between the Six. It could also be assumed that it will follow the thinking of its predecessors in that it will reject trade liberalisation without coordination of policies and therefore will press for adequate political and economic guarantees.

This being so, one of the participants, speaking as an outsider, voiced the personal view that the answer was likely to be more in the nature of a conditional "yes". The question then was to find what these conditions were and in particular whether it would be possible at this stage to draft a definite and final list. The vagueness and indefinite character of the answers that had been obtained so far led the speaker to suggest that the crux of the matter lay in the relative absence of a political intent of the Free Trade Area as compared with the Treaty of Rome. Many people in France felt that active solidarity and the support of their Common Market partners could be relied on in case of future difficulties, but that this would not be the case, however, in an association with the Eleven such as the Free Trade Area.

On the other hand, a corresponding doubt was expressed as regards the ultimate intentions of the Eleven and particularly of Great Britain. Though to a much lesser extent than the Common Market, the Free Trade Area was inspired by the desire for European unity and was conceived within the

framework of that policy. The Common Market being one of the first steps in that direction, would Great Britain be prepared to accept the political implications of the Free Trade Area and acknowledge that it is truly a step irrevocably leading to the same ultimate goal?

If some measure of understanding could be reached at the top level, it would remove many of the reservations which lay at the back of the mind of the negotiators. The various difficulties and objectives which were so far encountered would fall into their proper perspective and there was no doubt that a satisfactory solution could then be arrived at.

As it was, doubts arose in many quarters as to whether the chief protagonists on both sides, that is, France and Great Britain, really wished to arrive at an agreement on the ultimate acceptance of the Free Trade Area with all that this would imply for both parties. France's partners on one side and Britain's associates on the other were most anxious to arrive at an agreement, but some people in these countries were apprehensive lest this might not be the case for these two governments. Moreover, neither of them seemed to fear a failure as much as their partners feared it.

The grave consequences of a breakdown were reflected in the remarks made by several participants both during the formal sessions and on Monday morning at a small meeting attended by those of the participants who had not left the previous night. In the case of Great Britain, it could be feared that public opinion which was beginning to change in favour of Europe - and some speakers referred to the difficulties they had in selling the very idea of a Free Trade Area to the British public - would turn against Europe with serious consequences for the future. As one of the Scandinavian participants pointed out, some alternative regroupings inside Europe could be envisaged in such a case but, whatever it was, it would seriously divide Europe and paralyse the cooperation that has grown during the last decade. In the case of the Six, it seemed that the economic consequences were less feared than the political ones. Already, the intransigent attitude of France in the course of the present negotiations was resented by some of her partners. As one of the Dutch participants pointed out, in the counsels of the Community it was easier for those against than those in favour to impose their point of view.

The underlying solidarity of the Six was, however, very strong and real, and should not be underestimated. The countries of E.E.C. strongly felt moreover that the unity which they wished to preserve amongst themselves was greatly to the advantage of the Western cause, among other reasons, because it had a restraining influence on its members. If, therefore, the Free Trade Area protagonists exerted too great a pressure or showed too much intransigence, they would incur the blame of France's partners and make them more conscious of the need for unity.

For these countries the Common Market represented a vital development. It was an antidote against the excesses of nationalism which had caused such tragedies in Europe. If it were to fail, as it might well do as the result of

a split in Europe between the Six and the Eleven, Continental Europe would again be seriously threatened by these twin dangers of nationalism and neutralism.

These considerations prompted some of the participants to suggest that in the immediate future efforts should be made to play down the extent of the divergencies between the Six and the Eleven and in particular of any failure which might be registered in the course of the negotiations due to take place this year. 1959 promised to be a particularly difficult year in view of the Russian diplomatic offensive and inter-European divergencies would considerably weaken the West. Top level discussions to clarify and iron out underlying political considerations would seem, however, to be the most effective way of solving this difficult problem.