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EUROPEAN UNIVERSITY INSTITUTE  
DEPARTMENT OF HISTORY AND CIVILIZATION

"Challenge and Response in Western  
Europe: the Origins of the European  
Community (1945 - 1950)"

Project directed by Professor Alan Milward

Project Paper No. 13

E U I WORKING PAPER NO.84/117

THE FRITALUX/FINEBEL NEGOTIATIONS  
1949 / 1950

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Printed in Italy in November 1984

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## SUMMARY

The so-called FRITALUX/FINEBEL negotiations took place from the middle of 1949 until the early Spring of 1950 and involved France, Italy and the Benelux nations. What they were supposed to be primarily about depends really upon from which of the two extremes the situation is viewed. For the French, the major goal was the creation of a 'Little Europe' payments union involving liberalization of capital and flexible exchange rates. As far as the Dutch were concerned the issues at stake were the freeing of trade and the position of West Germany in an integrated Europe. As a result what the various parties ended up discussing was nothing less than the future order of post-war Europe. The negotiations eventually failed partly because there were two agendas, and partly because those agendas were irreconcilable in the political and economic climate of the time, though an important background factor throughout were shifts in the American perception of what they hoped to achieve. Nonetheless, in economic terms it could be argued that the issues raised in the FRITALUX/FINEBEL negotiations offered a far more radical blue-print for the future of Europe than the Schuman Plan which so rapidly eclipsed them.

This study of an almost forgotten incident along the path towards European integration has been based on the available archive material of the two principal protagonists -- France and the Netherlands -- together with material in the British archives and American source material in print.







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Dramatis Personae

D.G. Acheson	American Secretary of State
H. Alphand	Director of the Economics Section of the French Ministry of Foreign Affairs
H. Ansiaux	Director of the Belgian National Bank
P. Baraduc	Chief of the Economic Cooperation Service in the French Ministry of Foreign Affairs
J. Bech	Luxembourg Minister of Foreign Affairs
E. Bevin	British Foreign Secretary
J.W. Beyen	Executive Director of the IMF
G. Bidault	French Prime Minister
R. Bissel	Assistant Administrator in the ECA
J.R.M. v.d. Brink	Dutch Minister of Economic Affairs
S. Cripps	British Chancellor of the Exchequer
U. Grazzi	Director of the Economics Section of the Italian Ministry of Foreign Affairs
G. Guindey	Director of External Finances in the French Ministry of Finance
E.L. Hall-Patch	Permanent UK Representative on the OEEC
A. Harriman	ECA Special Representative in Europe
H.M. Hirschfeld	Government Adviser in General Service in The Netherlands
P. Hoffman	Administrator for Economic Cooperation in the ECA
M.W. Holtrop	President of the Dutch National Bank
F.A.G. Keesing	Government Adviser to Dutch Ministry of Finance
P. Liefstinck	Dutch Minister of Finance
S.L. Mansholt	Dutch Minister for Agriculture
R. Marjolin	Secretary General of the OEEC
J. Monnet	Director of the French Planning Commissariat
M. Petsche	French Minister of Finance
S. Posthuma	Adviser in Dutch Ministry of Finance
P. Schneiter	French Minister of Public Health and Population
R. Schuman	French Minister of Foreign Affairs
M. Suetens	Director General in the Belgian Ministry of Foreign Trade
J.C. Snoy	President of Council of OEEC, President of Council of Benelux
D.P. Spierenburg	Director General of the Foreign Economic Policy Section in the Dutch Ministry of Economic Affairs
D.U. Stikker	Dutch Minister of Foreign Affairs
A. Vanheurk	Attaché in the Belgian National Bank
G. Valay	French Minister of Agriculture
P. van Zeeland	Belgian Minister of Foreign Affairs



## INTRODUCTION\*

In 1945 Europe had emerged from the war with a significant proportion of its productive capacity and social overhead capital in ruins, with a chronic need for imports of both capital and consumer goods and with an equally chronic shortage of hard currency with which to pay for them. This manifested itself in a degree of protectionism and active trade discrimination which dwarfed even that of the 1930s. The intention of Marshall Aid, announced in 1947, was to help remove one of the direct causes of this immediate situation, namely the dollar shortage, but it was hoped not only to promote a relaxation of the extreme protectionist measures associated with the demands of reconstruction but also to roll back a rising tide of protectionism which had characterized European history (and that of the USA for that matter) since the late 19th century. It was hoped that by modelling itself on the successful American experience, Europe would come to enjoy the same benefits of economies of scale, economic prosperity and democracy commonly attributed to the United States and, perhaps equally importantly, that communist influence in a number of Western European states would recede. The linking of dollar aid to Europe with progress towards the attainment of closer economic cooperation within Europe did indeed lead to a number of significant successes (1) but it could be argued that this progress had barely succeeded in restoring the situation to one similar to what had prevailed in the 1930s, and in certain areas not even that.

The Schuman Plan which eventually led to the formation of a European Coal and Steel Community embracing six European nations is justifiably seen as having been a historic breakthrough moving the states concerned into new grounds of economic cooperation. Despite the fact that this phase of European



history has been virtually elevated to the realms of mythology, it is important to realise how limited the economic content actually was embracing as it did only two, admittedly important, sectors of the economy -- coal and steel (2). It is often forgotten that more far-reaching ideas had been discussed in these years which, had they succeeded, would have produced a more radical (and early) change in the European economy. This was the case with the so-called FRITALUX/FINEBEL negotiations involving France, Italy and the Benelux countries. They eventually failed to produce any concrete results partly because the parties in the negotiations were often aiming at completely different goals and partly because those different goals were irreconcilable in the political and economic climate at the time. In the light of the history of these negotiations, which eventually fizzled out in the early spring of 1950, it is possible to view the Schuman Plan as representing the lowest common denominator (with an admittedly inspired gesture towards supranationalism) than as a bold economic blue-print for the future of Europe.

These negotiations form the subject of this paper which has been based on the available archive material of two of the participating countries -- France and the Netherlands. These two countries were chosen in the first instance because, as Schuman remarked in the context of conversations with Stikker, they represented the poles of the debate(3). An analysis of their respective positions enables us largely to explain the course which the negotiations were to take.



## THE BACKGROUND OF FRENCH-ITALIAN-BENELUX COOPERATION

It was not surprising that the French should have chosen to direct their initiative for closer economic cooperation towards the Benelux countries and Italy. France and the Benelux partners had been talking together on the subject on and off since even before the War was over. Indeed, the FRITALUX proposals represented no less than the fourth direct approach to this end in almost as many years. Moreover, Italy and France had been locked in detailed negotiations for at least fifteen months prior to the launching of the FRITALUX talks.

Within both the Resistance movements and the governments-in-exile the idea of creating a wider European market had had a wide following. The first concrete step in this direction was the customs union treaty signed by the governments-in-exile of the Netherlands, Belgium and Luxembourg in September 1944 committing the governments to implementing the customs union as soon as the three countries were liberated and then moving quickly on to the creation of a full economic union (4). Proposals which included France in these developments were drawn up in the Quai d'Orsay and approved by de Gaulle in December 1944 (5). These ideas found their concrete expression in the Accord Economique de Consultation Mutuelle signed by the four governments in April 1945. The agreement was much less far-reaching than the Benelux treaty insofar as it committed the governments only to the coordination of policies in a number of economic areas (fiscal policy, prices, tariffs, quotas, new industries etc.) (6). Now, the Netherlands were not finally liberated until May 1945 and the Dutch government was sufficiently occupied with more pressing



domestic (and colonial) problems to accord either of these agreements a particularly high priority. By January 1946, however, the Belgians were clearly showing signs of impatience at the complete lack of progress towards implementing the Benelux customs union and backed this up by checking the vital flow of credit which had been helping to sustain the Dutch reconstruction policy. It was exactly at this moment that Alphand announced that what the French wanted from the rest was no less than a commitment to work towards a full economic union embracing the four economies. The Dutch government viewed this cumulative pressure with something akin to horror -- they could no longer afford to delay positive action on the Benelux treaty in case the Belgians considered it a dead-letter and went ahead alone with the French but neither did they want to enter a customs union involving France. The reasons for this latter stance were never stated clearly but economically it could have lain in the fact that French-Dutch trade had been historically relatively unimportant and that, in agreeing to the French proposals, the Dutch felt they would lose the freedom of initiative in trying to open up two more important markets - those of the United Kingdom and Germany. The result of Alphand's announcement and the diplomatic pressure over the subsequent months was to accelerate the progress within Benelux (where agreement for implementing the customs union was announced in April 1946) but as far as the French initiative itself was concerned, the only achievement was to have the entire question made the subject of study by groups of experts. It was still being studied when the Accord was eventually wound up in 1948 (7).

The announcement of the Marshall Plan, couched as it was in terms of the need to foster a greater degree of European cooperation provided a further opportunity for the French to launch an initiative for the formation of a customs union. In August 1947, in the middle of negotiations to form the OEEC



the French government issued a formal note which declared that "it is ready to enter into negotiations with all European governments ... who wish to enter a customs union with France and whose national economies are capable of being combined with the French economy in such a way as to make a viable unit ..."

(8). Although the invitation, at first sight, appeared an open one it had been preceded by French diplomatic approaches involving the UK, Benelux and Italy as a group (9) and by separate discussions with the Belgians which seemed to have swayed at least a part of the Belgian negotiating team (10). In the event Benelux unity was successfully restored and a joint UK-Benelux motion was accepted which had the effect of shunting the French proposals into an OEEC study group (the second time this tactic had been used for stalling progress without anyone being forced into actually saying 'no!').

Of the OEEC countries, only Italy was prepared to accept the French proposals on a bilateral basis. A mixed commission of officials from both countries was set up to discuss the "timeliness of establishing a customs union" which just before Christmas 1947 completed its report. In what in the end proved an over-optimistic conclusion it stated that "in no field did it discover fundamental obstacles or even serious difficulties to the formation of such a union" (11).

Armed with the findings of this report in January 1948 the French once again attempted to interest the Benelux partners in joining what had now become a joint Franco-Italian initiative. The two governments had agreed that a customs union by stages was indeed possible and it was suggested that a joint committee involving Benelux, under the possible chairmanship of Spierenburg, should examine, without prejudice, the difficulties and advantages of a larger customs union involving the five countries (12). At a joint Belgian-Dutch meeting to consider the invitation, the Dutch pointed to



the need to include the UK and that to go ahead with the French proposals at that stage would undoubtedly upset the UK. On the other hand the Belgians stressed the need to appear as conciliatory as possible (13). The formal reply endorsed the French logic that a larger customs union was in the economic interests of Europe but at the same time observed that the possibility of an even larger union than the French were proposing was already being discussed by the study group within the OEEC. If that failed, then the Benelux governments would have no objections to helping to realize a more limited regional one (14).

Meanwhile the French and Italian governments had decided to press on with their joint venture and created a new mixed commission to define a plan and programme for the actual realization of the customs union. It completed its report almost exactly a year later. Central to its conclusions was the finding that a full tariff union could be formed within twelve months and that a full economic union was feasible five years after that. A treaty embodying the first intention and endorsing the desirability of the second was signed in March 1949 but when the treaty was submitted by the French government to the Conseil Economique for an opinion it was rejected, albeit by only a small majority. The government drew the obvious conclusions from this defeat and did not even submit the treaty for parliamentary ratification. The Italian government, which had been waiting to see reaction to the treaty in France, now also followed suit and allowed the matter to slide (15).

This dramatic failure did not mean that the French had abandoned the goal of economic integration but it may have forced them to alter their strategy to achieve this objective. The fact that it was opposition to the move to eliminate customs barriers first which killed the treaty should have made it clear to France and Italy that further initiatives in this direction were



doomed to failure. It is this realization which may explain the form which the new initiative took.

#### THE PETSCHÉ PLAN, APRIL-SEPTEMBER 1949

Within a month of the abandonment of the Franco-Italian customs union project, the French were engaged in preparing a new initiative which they hoped would be successful in interesting not only Italy but the Benelux countries as well. The ultimate aim of the scheme was the removal of quantitative restrictions on the movement of capital and labour within the group and (remembering the lessons of the failed customs union) on trade but only insofar as it was considered possible given the specific sectoral interests of the individual countries. However it was recognized that the chances of success were not great unless a way were found to minimize the dislocation in the domestic economies which this liberalization could be expected to produce. The way in which this was to be achieved was through the mechanism of fluctuating exchange rates which would reflect imbalances on trade and payments movements within the group (16). When the outlines of the scheme, referred to as the Petsché Plan, were tentatively submitted to the Americans they received a surprisingly warm welcome. Harriman claimed that many within the ECA were becoming disenchanted with the OEEC's record in promoting integration and that these were the lines along which the USA envisaged achieving a closer degree of European economic cooperation. He did, however, question whether the size of the group might not be too small and suggested that later it should be expanded to include Scandinavia and West Germany (17).

American encouragement of the scheme gave the impetus to continue working on the plan since from the beginning Marshall Aid had been tied to the



achievement of closer economic integration in Europe. This link was given extra force when in the summer of 1949 the idea was discussed in the USA of reducing the amount of aid available for individual economies and assigning it to a special fund designed to support regional integration schemes. The 'prize', when this was eventually decided was \$150 million. Nevertheless the proposals as they stood were not without danger for the French economy. Given the multiple exchange rate structure which the French maintained, it was feared that the liberalization of trade might encourage the deflection of trade to take advantage of the differential exchange rates for imports and exports. Thus it was possible that Belgium and Italy might purchase imports from the dollar and sterling areas in France and re-export them to their own countries causing a drain on French foreign exchange reserves. This drain would be reinforced by French exporters selling their exports via other members in the group. A further complication lay in the obligation to respect the cross rate in commercial operations between the dollar and sterling. Since the pound was so obviously overvalued vis-à-vis the dollar, an adjustment to single external exchange rates would tend to deflect French exports from the dollar area to the sterling area. Finally, the entire scheme depended on the countries concerned following broadly similar monetary policies (18). The situation in Belgium also raised a further crop of problems. If exchange rates were to be allowed to float, the French franc would almost certainly depreciate against the Belgian franc which, it was feared, would lead to a reduction in Belgian exports to France and a corresponding fall in Belgian employment levels. Moreover Belgium had no restrictions on capital movements at all which meant that if other countries now removed their own restrictions on capital movements into Belgium, there would be a leakage of capital out of the group as a whole (19). At this stage the Dutch do not seem to have been



consulted at all, though how anyone expected Belgium to be able to participate in the scheme without the Netherlands and without breaking up Benelux is unclear. As a result of all these considerations, the French plans which had seemed to be so simple and elegant in their first conception began to show all the hallmarks of compromise. By August 1949 the main outlines of the plan agreed by Belgium, France and Italy were as follows:

- exchange rates between the currencies of the group would be allowed to reflect changes in supply and demand for the currencies (i.e., would float) but that banks would intervene to iron out short-term fluctuations
- all flows of goods and capital among the three were to be conducted at the free rate of exchange with one exception. Between France and Belgium commercial transactions were to be conducted at a rate mid-way between the free intra-group rate and the fixed franc:dollar rate (this was clearly designed to protect Belgian exports to France)
- between Italy and France the pace of liberalization of payments and the removal of quotas on trade was to move at a faster pace than was envisaged for similar liberalizations between each of these and Belgium (this, presumably because Belgium, with a lower prevailing tariff level than either, would be disadvantaged by an equality of treatment in this area)
- restrictions on capital movements between the three were to be removed as soon as possible but the instruments of control were to remain and could always be used if necessary



- the governments agreed to consult each other as often as necessary to discuss difficulties arising for any one of them as a result of implementing the scheme (20).

It was at this point that the Dutch were first officially informed of what was going on and were invited to discuss the proposals with the rest of the group in Washington on September 15th (the location and timing being determined by the fact that the European foreign and finance ministers would be there to discuss arrangements surrounding NATO). So far research in the archives has failed to uncover an account of that meeting but it could not have been a pleasant one. The Dutch memorandum, having got the usual platitudes out of the way (21), went on to pour scepticism on the measures suggested. Among the most telling of their arguments was the fact that if balance of payments equilibrium, bilaterally within the group, was to be achieved by changes in the exchange rate, it would lead to a pattern of disorderly cross rates which, regardless of the other problems this would entail, was contrary to the principles of the IMF. They also felt that the abolition of capital controls would accentuate any disequilibrium existing in current account balances by permitting movements of speculative capital, in the short term, and by allowing unchecked a movement of longer term capital from weaker to stronger economies. If there was a way forward, it was argued, it should concentrate first on the removal of foreign exchange control on movements of goods and services (and not on capital) and that this, in turn, should take place by expanding the arrangements within the OEEC (22). To the British, the Dutch confided a further string of objections. They felt they could not countenance entering a group in which it would be in persistent deficit if it were forced to pay out gold and hard currency reserves (23) nor, given this situation, could they enter an agreement which would exclude the UK and Germany



which were their largest markets. Furthermore, if the Belgians went ahead, without providing better safeguards for the Netherlands, it could spell the end of Benelux (24). That, as far as the Dutch were concerned, was clearly that, though they did allow their experts to continue talking with the others. Together they managed to produce a report to which, however, it would have been impossible for the Dutch government to have agreed (25).

#### FRITALUX: THE EMERGENCE OF TWO VISIONS, OCTOBER–NOVEMBER 1949

The context within which the French plans were to operate changed rapidly in the weeks that followed. Firstly the British devaluation and the hasty realignment of other European currencies promised to ease the dollar problem generally and, more specifically, it removed the problem of maintaining orderly cross rates which the overvaluation of sterling would have caused in any regional system in which exchange rates would float. If the French still wanted to persist with this part of the scheme, the sterling devaluation made it much easier to achieve. Secondly, the difficulties in the Benelux negotiations had been resolved: the final obstacles to the 'Pre-Union' treaty were removed at the end of September and the treaty itself was signed the following month. Whereas, in September, van Zeeland had agreed to continue talking with the French and Italians alone, the Belgians now insisted that further participation in discussions was conditional upon an invitation being extended to the Netherlands (26). Finally the Americans had announced the creation of a special reserve fund from the Marshall Aid allocation for 1950/51 which would be available for supporting integration schemes in Europe and rumours were beginning to circulate that the eventual size of the total dollar aid would be contingent upon the degree of closer economic cooperation among the European



economies. It was against this background that the various delegates met in Paris for the Executive Committee meeting of the OEEC in October 1949.

At the start of the meeting the ECA announced the decision to create a \$150 million reserve fund. Although it was not discussed formally, informally the Americans found themselves besieged by national delegations anxious to impress — the Scandinavians with their customs union plan, Benelux with the newly signed pre-Union treaty (the Americans appeared to have been favourably impressed but argued that Belgium had enough dollars already) ... and Alphanand, with the Petsche Plan. On learning that the Americans were sympathetic towards the French proposals, Spierenburg and Snoy sought a meeting with Alphanand at which he outlined the revised French scheme:

- free movement of capital within the group was to be brought about, though under certain conditions some control would be permitted (this was unchanged)
- in the removal of trade barriers the group had to move further than the OEEC (this in response to the likely liberalization developments in the OEEC)
- the countries would accept a system of fluctuating exchange rates but (and this was new) the degree of fluctuation would be limited and cross-rates would be maintained
- the ECA would make available support from the reserve fund.

In the informal talks that followed, Spierenburg and Snoy expressed the desire that Britain be included in the talks. If Britain did not wish to join, it was for its government to decide but that decision should not be anticipated in advance. Spierenburg then reiterated the Dutch position against



floating exchange rates and expressed the view that the liberalization of commercial transactions should take precedence over the freeing of capital (which should only be liberated insofar as it concerned investment capital). Finally, he argued, the problem with the group as it stood was the imbalances in payment flows, but since France had a deficit with the sterling area and the Netherlands a surplus, the inclusion of the UK would increase the multilateralization of payments movements. Alphand was non-committal and suggested that the Belgians and the Dutch should prepare their own proposals for discussion at a meeting which he hoped would be called once a new French cabinet had been formed.

The desire to include Britain, however, was not without difficulties as Spierenburg discovered when he talked with Hall-Patch afterwards. He made it quite plain that Commonwealth commitments would preclude 100 per cent British participation in such a group but that as long as it did not discriminate against Britain, he doubted whether the government would object to its formation. This was not the answer Spierenburg particularly wanted. As he argued to cabinet, the only way to stall the French plans was either to include Britain or to have it object to the group. If it did neither, then pressure from the pro-French lobby in Belgium and pressure from the Americans could make it difficult for the Dutch to avoid being forced into participation. It was essential that the Dutch present early counter-proposals which, he suggested, should take the following form:

- the members of the group undertake to maintain 'monetary stability'
- trade barriers be gradually removed with certain exception in the case of young industries and certain agricultural products



- a limit be placed on the gold coverage of payments deficits; in particular France should be prepared to accept sterling in exchange for its payments surpluses with Benelux
- the group should strive for maximum transferability of their own currencies, and maximum freedom for invisibles
- the movement of investment capital only should be freed
- tariff barriers on mutual trade should be reduced (27).

If the Netherlands wanted to avoid being dragged into a small regional group, they had two alternatives: either to work at achieving a large regional group or to hope for quick success within the OEEC. The Hoffman speech made to the OEEC on October 30th confirmed their most pessimistic fears that Marshall Aid would not continue at all unless some spectacular action took place in the area of European integration and the fact that Hoffman not only opened the door to the formation of small groups but seemed positively to encourage them (28) was a further blow to Dutch hopes. In the meetings that followed Stikker attempted to push the Council of the OEEC towards elimination of protectionist tariffs and the introduction of a system of transferability of European currencies but with no success. Both the French and the Belgians made strong speeches in favour of the regional group option. Even the British supported a continental European block arguing that in the Empire and the sterling area it already had the largest free trade area in the world. Hirschfeld warned cabinet that they could expect an official invitation from the French very soon. The Council wanted all schemes for integration submitted by December 15th (29).

The Quai d'Orsay taking the OEEC meeting and resolution as direct support for the regional grouping of France, Belgium, Luxembourg, the Netherlands and



Italy being referred to as 'Fritalux', now proceeded to draw up a more detailed set of proposals than those discussed hitherto. These proposals now incorporated many of the general ideas which had been discussed within French Cabinet committees for some time such as coordination of investment and state-sponsored industrial agreements. The group was to be open to any member of OEEC and the participation of West Germany in particular was to be discussed explicitly. Britain was to be kept informed since despite Cripp's rejection of the invitation the French still hoped that Britain might join at a later date.

In their proposals drawn up by November 14th the French recommended that:

- the movements of goods and services should be liberalized as soon as possible and at a faster rate than within OEEC but permitting some exceptions (this was seen as a way of reducing prices through specialization)
- exchange controls should be removed more gradually (it was feared that rapid removal would cause unemployment in certain sectors)
- budgetary and credit policies should be harmonized
- discriminatory practices such as subsidies and double-pricing should be eliminated
- investment should be coordinated by governments or, in the case of private investment, through government sponsored industrial agreements (it was stressed that this would conform to chapter five of the Havana Charter)
- an investment bank should be set up to promote specialization and ease the problems caused by the disappearance of certain industries
- a similar system should be set up for agriculture if quantitative restrictions were to be removed



- a separate institutional structure should be set up. This would take the form of a general council presided over by the Ministers of Foreign Affairs and grouping together a financial committee composed of ministers of finance and governors of national banks and an economic committee composed of the relevant economics ministries, the Ministry of Agriculture and in the French case the Commissariat au Plan
- exchange rates between the four currencies should float in order to reflect changes in the free movement of trade and payments (based on IMF approval and with provision for central bank intervention to support its own currency)
- all restrictions on the import of banknotes should be lifted although some limits should be enforced on the export of notes
- capital movements among member countries should be unhindered (although the instruments of control were to remain and be used if necessary). Due to Belgium's net creditor status there was to be a transitional period in which Belgian capital could flow freely within the group but the movement of capital into Belgium could be restricted.

Since OEEC had agreed that the proposals for any regional group should be submitted for its approval by 15 December 1949, the French report pointed out the urgent need for action. It also rejected the earlier practice of inviting counter-proposals from other members in view of the lack of time. To win the Dutch support the French government mentioned the advantage of including West Germany in the group since it would provide markets especially for agricultural products. For the benefit of ECA and the American government the report



emphasized the need for the group to condemn restrictive practices and cartels, and to consider itself as a transition towards free multilateral trade on a global scale (30).

Whilst waiting for the French report to arrive, the Dutch cabinet began to prepare its own set of counter-proposals. The basis for their deliberations was formed by a note prepared by Holtrop, President of the central bank. It was not exactly the most useful document for this purpose since it was directed largely towards an analysis of a group of ten or more countries (which the Dutch were likely to get but were trying to avoid) rather than a group of five countries (which the Dutch were trying to avoid but were likely to get). Besides, most of the statistical information was based on the pre-devaluation period, was impossible to disaggregate so as to be applicable to different permutations of countries and made no estimates of the likely impact of any liberalization measures in the offing. As far as it was relevant for the impending Fritalux talks, it pointed out that the smaller the group, the more likely it would be that one country within the group would be in a serious deficit position within the group even though it might be in surplus outside it. This would involve it either reducing its reserves (unless the surplus was in a currency which the rest would accept) or adopting deflationary measures or allowing its intra-group exchange rate to alter. The latter two options would restore its equilibrium within the group but in the first case it might be adopting growth restrictive measures which need not necessarily be warranted by its overall position whilst in the second it would lead to, equally unnecessary, trade deviation. Holtrop's figures showed that even in a group including all the OEEC countries except Austria, Greece and Turkey, without the UK the Netherlands would move from a surplus to a deficit position. If, however, UK participation was not possible then the inclusion of West Germany became essential coupled with a policy of diverting exports away



from the sterling area and towards West Germany. Without West Germany, this option would not be possible (31). Holtrop's report did not exactly contribute to a sharply focussed discussion within cabinet but the lines of a policy began to emerge. If, as everyone now seemed to accept, the UK would not participate then West German involvement was essential but, as van den Brink considered, this would present French industry and agriculture with problems and this, in turn, would slow down the rate of trade liberalization in the group. He was not prepared to sanction a loss of gold or hard currency to cover intra-group deficits and Liefertinck was equally unwilling to sacrifice control over domestic economic policy for the same ends (32).

When the French proposals arrived Hirschfeld drew up a report which embodied most of the points raised in the cabinet discussion as well as many of Spierenburg's earlier proposals (see p. 15-6):

- the possibilities for cooperation should be discussed between the governments of France, Benelux, Italy and West Germany and an effort should be made to involve the UK (the French wanted to make the inclusion of West Germany a subject for discussion in its own right);
- 75 per cent of quantitative restrictions on intra-group trade were to be removed by January 1st 1951 and 100 per cent by July 1st 1951, this removal was to take place progressively and in equal measure in the product groups agriculture, raw materials and end products (the French report had no timetable);
- tariff barriers were to be reduced to a level to enable competition within the group (this point is not specifically mentioned in the French report);



- exceptions in the process of trade liberalization could be considered in the case of infant industries, industries needing protection and if the multilateral balance in the group were seriously endangered (no different from the French);
- members should keep their drawing rights and conditional aid even after the end of the year for which they were granted and arrangements should be discussed which would allow monetary cooperation to continue even after Marshall Aid had ended (this point was not mentioned in the French report);
- all exchange controls governing payments for goods should be abolished and a start made on the liberalization of services and capital (the French suggested liberalizing the lot; in fact by the time the Hirschfeld memorandum had finished making exceptions for capital movements, the Dutch position was virtually synonymous with rejecting it);
- the movement of bank notes between countries was to be freed (this agreed essentially with the French);
- the countries were to move towards a greater degree of multilateralization of payments (this, again, agreed with the French though the Dutch proposals were worked out in much more detail);
- in certain industrial sectors it might be necessary to coordinate investment through means of industrial agreements under government control (the detailed French proposals for accomplishing this were ignored);
- in agriculture the object must be to increase production through rationalization and specialization which in turn required the complete removal of restrictions and the establishment of reasonable prices fixed at such a level as not to promote uneconomic production; a common



import and export policy should be agreed (this was much stronger than the French proposals).

The report, significantly, made no mention of the French proposals for the establishment of an investment bank, the detailed institutional arrangements or flexible exchange rates (33). With only some cosmetic refinements, the economic committee of cabinet accepted the report unanimously (34) though, as much for tactical reasons as any other, the final memorandum did pick up positively the French idea that the group should have its own institutions (35).

With the talks scheduled to start in less than a week, the Dutch began to canvas for support. The most obvious starting place was with the other members of Benelux. When the Dutch memorandum was discussed with van Zeeland and Bech, the Belgians appeared to be in broad agreement with its outlines but they could not commit themselves, as the Dutch had wanted, to presenting it as a Benelux initiative without having discussed it first in cabinet. In particular van Zeeland did not want to force the French into a difficult position by endorsing "such a positive memorandum" (36).

Next on the list were the Americans. Their reply arrived on the day the negotiations opened but although it welcomed the Dutch memorandum as a basis for discussion, it felt that the proposals as they stood failed to put sufficient pressure on deficit nations to take corrective action. The ECA fear, of course, was that any dollar fund would be rapidly exhausted if there were no obligation on deficit nations to either deflate or to adjust the exchange rate. On the question of UK participation, there was sympathy for the Dutch position but it was pointed out that a small group could be brought about more



quickly and that Britain could possibly join with some form of associate status later (37).

Finally, Beyen writing in his capacity as an executive director of the IMF, wrote a scathing memorandum attacking the French ideas for floating exchange rates which he saw as flouting the fundamental principles upon which the whole Bretton Woods system had been constructed. These were that the international division of labour should be based on a comparison of relative costs brought about by competitive trading which was only possible if currencies were freely convertible at stable exchange rates. The French justification for floating exchange rates was that in the world as it was it was not possible to maintain stable exchange rates without exchange control. Therefore if exchange controls were to be abolished the exchange rate had to make the necessary adjustments rather than force changes in domestic policies. While the IMF recognized that no provision had been made for the post-war phenomenon of the chronic disequilibrium caused by the dollar gap, they felt that the reasons why European countries could not afford to lift exchange and trade restrictions were more related to their domestic policies than to their exchange rate. And by refusing to face up to the decision of finding the right level of investment and the right way of financing import surpluses caused by such investment they were, through inflation and fluctuating exchange rates, only making the problem worse. Yet a further argument in support of fluctuating exchange rates was that otherwise it would be impossible to lift exchange restrictions and free trade for a considerable time since countries were in the process of adjustment. And until they had reached equilibrium at the higher levels of production and trade to which their policies were directed, they would have insufficient reserves to maintain the exchange rate at an agreed level without exchange controls. But the conclusion of the IMF was that



if the rapid lifting of exchange control was considered of primary importance then rather than allow fluctuating exchange rates, some form of additional reserves should be found (38).

#### THE FRITALUX NEGOTIATIONS, NOVEMBER-DECEMBER 1949

The experts met for the first time in Paris on November 29th and unanimously elected Alphand as President of the conference and there the consensus ended. If anyone had cherished any illusions that the complementary elements in the French and Dutch memoranda could be slotted together and that concessions could then be reached on the more contentious points, they were shattered immediately by the subsequent discussions on the agenda itself. Alphand suggested that the primary aim of the group should be to agree on an automatic system of exchange rate adjustment. Only then would the French government be able to consider measures to liberalize trade and this on the condition that it would not cause irreparable damage to existing industries and that it was coupled with measures to coordinate the economic, financial and social policy of the members of the group. This position was firmly supported by Grazzi for the Italian delegation. Spierenburg then presented the outlines of the Dutch position. In particular he pointed out that the Dutch considered that the liberalization of trade should have the highest priority, that the UK should be invited and that the Dutch government would not consider cooperating in any group in which West Germany was not a member. It was then the turn of Suetens to present the Belgian position and here the Dutch could have found themselves immediately isolated since the Belgian delegation had arrived at the conference with instructions to make a flexible exchange rate system the primary policy goal. However, the Belgians also shared with



the Dutch the desire to reduce trade barriers and if the agenda was put together the way the French and Italians wanted it, the chances were that the issue would scarcely be discussed at all. To the relief of the Dutch, Suetens did not mention the monetary scheme and directed his opening remarks to supporting Spierenburg's position. Indeed, he went one step further and announced that the Belgian government would not consider any relaxation in import quotas unless it were accompanied by the reduction of prohibitive tariffs to a level which would allow Belgian industry to compete in French and Italian markets (see appendix 1). This hit the crux of the matter since it immediately transpired that whilst the French and Italians were prepared to discuss quotas they had no intention whatever of introducing the tariff question into the negotiations. As far as Grazzi was concerned, tariffs were the preserve of GATT and were already being discussed in Geneva and Annecy and, anyway, as he explained privately to Baraduc, having spent most of his career justifying the need for increased trade controls he now had little enthusiasm or conviction for doing exactly the opposite (39). Alphand went even further, and argued that the MFN clause in GATT prevented the French from taking any initiatives on tariffs. Nonetheless he agreed to ask for further instructions on the matter. The only matter to reach an acceptable solution on the opening day was the question of the UK, whom it was agreed to invite when the eventual nature of the group had become clearer. The other matters were referred for discussion to three separate committees — one to discuss policy-coordination arrangements, one to discuss monetary matters and one to discuss trade.

Within the sub-committee discussing trade very little was achieved. At the one extreme the Italians made it clear that they had doubts about the 50 per cent liberalization to which their government had already agreed within the OEEC and they were certainly not willing to apply it equally to each of



the three groups of products (Italy had no import duty for end products). They might, however, be willing to increase the quotas for goods which could not be freed entirely. The French delegation appear to have been content to allow the Italians to make most of the running in those negotiations whilst the Dutch appear to have been equally happy for the Belgians to take up the other extreme position. They suggested that each country should immediately liberalize 60 per cent of their trade (based on 1948) and 100 per cent after six months, though a procedure should be established which would determine which (few!) products could be exempted. At the same time tariffs had to be reduced. Later the Belgians reduced the target to be attained after six months to 80 per cent but there the discussions stuck.

The financial sub-committee produced rather more movement in the respective positions. Before it even met Posthuma and Keesing were successful in talking Ansiaux and Vanheurk into abandoning support for flexible exchange rates. They conceded the Belgian point that the September rates might not be the correct ones and suggested, by way of compromise, that a deficit country should, in consultation with the others, be invited to consider a change in rates when it had exhausted whatever cover was envisaged in the new multi-lateral settlement system which the group would set up. This restored unity in the Benelux camp but it still left a wide gap in standpoints. In the end the Benelux delegates made a further concession to the French — a currency would be allowed to fluctuate by a maximum of 5 per cent (but without affecting cross-rates within the group) for a period of one month after which a definite revaluation of the currency would take place. The system, however, was not to be automatic: a country, if it wished, could maintain a fixed rate of exchange (i.e., everyone else could follow the 'crawling peg' principle, the Dutch could stick to the dollar/sterling standard). The rest of the report which the



sub-committee eventually produced, however, was one long list of reserved positions.

The sub-sub-committee for agriculture was the only other one to get something on paper which was nothing less than an agreement in principle to form a common agricultural market with a common import and export policy against third countries. However the report was careful not to put any timetable on when it was to begin or how long the transition period was to last, nor did it make any concrete statements on the levels of prices/protection. Moreover, the fact that their report still contained a provision referring to the Havana-Charter left open the possibility of maintaining or reintroducing almost any restriction a government wanted (40).

With the experts' discussions in the sub-committees becoming increasingly bogged down and having learned informally that ECA officials considered the French standpoint on trade 'ridiculous', Spierenburg decided on December 3rd to up the stakes. He informed the meeting that it would be impossible to reach any agreement unless the French and Italians were willing to agree to three conditions

- total trade liberalization by 1951
- 75 per cent trade liberalization by the end of 1950
- the reduction of tariffs to levels to enable competition.

In return he would be prepared to agree to the French standpoint on the coordination of economic policy and on investment planning. This stand was supported by the other Benelux partners. The onus was now on Alphand to prevent the conference from collapsing. The French felt that they could not afford to let the discussions fail because of the disastrous consequences that this could have for the continuation of American aid to Europe. A second



reason for setting up the group was to avoid being forced to agree to perhaps a greater degree of trade liberalization within OEEC. And a third reason was to prevent West Germany, which was adopting a much more liberal policy than the French, from taking the lead in Western Europe (41). In view of these arguments Alphand agreed to propose to the French government that trade in general should be freed provided that some exceptions were allowed. He still refused though either to fix a percentage for 1950 or to discuss tariffs. But he was prepared to consider forming a free trade area which would get around the problem of the most favoured nation clause of GATT, provided once again that economic and financial policies were coordinated within the area.

But such concessions were not sufficient to keep the Dutch delegation at the Conference. In spite of the Belgian desire to compromise for tactical reasons and drop their insistence on 75 percent liberalization by the end of 1950, the Dutch refused to put their signature to a report which contained so many fundamental differences. Instead they asked for the talks to be suspended for one week. This threat produced a further compromise from Alphand, designed to keep the Dutch at the conference table. He now said that the French delegation would accept seventy-five per cent liberalization in 1950, that the coordination of economic and financial policies was no longer a condition for this, and that the French would not raise prohibitive tariffs to replace the abandoned quotas (though he made no commitment on existing tariffs). But even this did not change the Dutch delegation's resolve to discuss the issues with the Dutch government before signing the report.

Spierenburg suggested that the Dutch government should authorize the negotiators to continue to attend the conference and to work at producing a joint report. Where it would be impossible to find acceptable solutions, particularly in the area of trade, he wanted permission to reserve the Dutch



position. The exchange rate agreement was the best he felt could be obtained and he warned against torpedoing the conference on this point especially since the other delegates seemed to be in favour of it. The task was now, he felt, to work for a satisfactory arrangement for the covering of surpluses and deficits and which had a good chance of getting some of the \$150 million from the ECA. But on one point he was firm, the participation of West Germany must be assured — a position which "up to now" had been shared by the Belgians (42). At a hastily convened meeting at the Ministry of Foreign Affairs attended by ministers Stikker, van den Brink, Lieftinck and Mansholt and a number of senior advisors, Spierenburg's strategy was endorsed, though there were serious misgivings about whether tariff reductions were attainable (this remained a Dutch condition) and about accepting the French monetary scheme. On this latter point the Dutch wanted it made clear that fixed exchange rates were the norm, floating exchange rates the exception (43).

That same evening the Benelux partners met to formulate their strategy. Ansiaux agreed to work with Keesing on a new text for the financial sub-committee detailing a scheme for the multilateralization of drawing rights and personally to present it to Guindey. Similarly it was the Belgians who agreed to front the assault on the Franco-Italian position on tariffs. It was also clear from the opening session the following day that Alphand had received new instructions. He confirmed that the French were willing to consider moving to 75 per cent liberalization without making policy coordination a precondition, he agreed not to erect new tariffs when quotas were removed (previously the position had been not to impose new prohibitive tariffs) and he agreed to scrapping any mention of the Havana escape clause in the agricultural report. With these concessions from Alphand and the achievement of a more satisfactory monetary arrangement by Benelux, it was agreed to give Baraduc the go-ahead to



draft a final experts' report which was to serve as the basis for a conference of the Fritalux ministers.

The only item left on the agenda was the question of West Germany. Both Belgium and the Netherlands had, in earlier draft reports, stated that West German participation was a conditio sine qua non. Now, suddenly and unexpectedly, Suetens announced that Belgium had dropped this condition altogether. Apparently Suetens had misinterpreted his instructions -- what the Belgians appeared to have been prepared to do was to agree to delay German participation for six months if this would bring a more positive response from the French. As it was the Dutch now found themselves isolated and unable to take the strong standpoint which they would have liked. Spierenburg was forced to accept in principle that the Dutch would attend the Fritalux Ministers Conference, though possibly not before Christmas as Alphand had suggested (44).

#### FRITALUX BECOMES FINEBEL, DECEMBER 1949-FEBRUARY 1950

The experts who had negotiated on and off ever since November 29th had other concerns on their minds than just the Fritalux proposals. Having said good-bye to each other as Fritalux experts on December 9th, they all met together again the following day in a somewhat larger company, this time in the context of OEEC negotiations. What they received for their deliberations was a note from Richard Bissel outlining an American plan for a clearing union in which drawing rights would be multilateralized. At the same time it was proposed that the OEEC countries would move towards a still greater liberalization of trade. The implications of the Bissel Plan for the Fritalux initiative were legion. If it succeeded, what were the implications for all



the monetary arrangements still left open and undecided in Fritalux? If the sterling area problem were absorbed into an OEEC-wide union, might not Britain be prepared to join a more limited group? But if the clearing union were set up, would it not be likely that it, and not the Fritalux scheme, would receive the ECA dollar aid, so what would be the point of Fritalux then and anyway what, once shorn of its monetary component, would it be able to do? On the other hand, if the Bissel Plan failed and the Americans began to reassess their entire commitment to dollar aid to Europe, might they not then look kindly upon the Fritalux plan and shower beneficence upon it? The entire attitude towards Fritalux changed to one of 'wait and see'. Marjolin explained to Hall-Patch that the French were quite divided over Fritalux which he claimed was a pet scheme of Alphand's. Marjolin himself felt that Fritalux might actually hamper progress within the OEEC whilst he claimed that Petsche was very nervous about the whole thing because it raised the awkward question of West Germany. All of this meant that the best thing the French could do was to put the scheme into cold storage (45). Spierenburg, too, felt that the need for speed in deciding on Fritalux had receded but he recognized that it was possible that agreement within the OEEC might not be reached in time (the Americans wanted it included in the ECA interim report which had to be ready by January 15th) and he felt that the intervening time should be used to explore, via diplomatic channels, ways of resolving the outstanding issues (46).

On December 29th Stikker and Schuman met in Paris to discuss the possible future of Fritalux. Central to their deliberations was the question of West Germany. Schuman conceded that the solution to European problems was only possible if West Germany were included but it was politically impossible for him to get the French people to accept including West Germany in the initial



discussions to set up the group. Stikker, however, felt that this would be unacceptable to the Dutch since Germany's specific problems would require special considerations. If Germany required temporary exemptions from certain Fritalux provisions, the danger was that other countries would demand concessions from West Germany which it might not be able to accept. In the end it was agreed that the Fritalux talks should be resumed but that the group would not begin to function without West Germany. On the question of agricultural protection, Schuman conceded that the wording of the experts' text which stated that quantitative restrictions would be removed 'in principle' and that this would proceed progressively 'where possible' was plainly ridiculous but on the general question of tariffs the standpoints of the two countries were as far apart as ever (47). It is worth noting that there was pressure within the French cabinet too for the inclusion of West Germany (or Britain) in the Fritalux group. Otherwise, as Valay made clear to Bidault, a union with only Italy and Benelux would make a nonsense of the French plans to expand agricultural production and exports (48).

On December 30th the financial experts of the OEEC finalized a report which went a long way towards meeting the aims of the Bissel Plan and which, as far as its thinking on the transferability of European currencies and the multilateralization of drawing rights were concerned, went further than the Fritalux proposals. After that the delegates of the Fritalux club met informally to review the situation. Their inclination was that it was still worth continuing the monetary discussions since Fritalux had gone further than the OEEC on matters of free capital movement, free banknote movements and free exchange rates (albeit that the Dutch had reservations on all three points!). Posthuma, however, felt that there was little point in doing so bearing in mind that as things stood the group could not rely on any dollar support at



all from the \$150 million reserve (49). Spierenburg's analysis went even further than Posthuma's. He considered that there was nothing left in the monetary section of the Fritalux experts' report which could remotely justify the formation of a regional group. But, within the OEEC, the Dutch had singularly failed to link the issue of tariff reduction to that of the reduction of quantitative trade restrictions. If within the context of the five countries, plus West Germany, spectacular progress could be made in this area then such a group (now, symbolically renamed Finebel) could still serve a useful function. And should the OEEC plan for a payments union fail, the group could still agree to implement it among themselves (50). This position was endorsed by cabinet if only because, as argued by van den Brink, it would be impolitic for the Dutch to be seen to be the ones to sabotage the 'Fibenel' (51) idea or because, as argued by Lieftinck, the Dutch might still need a fall-back position should the OEEC initiative fail (52).

French reactions to the OEEC report were mixed. They no longer opposed the multilateralization of drawing rights since, although they had been the main beneficiary for two years, it was now apparent that they had hardly needed them in 1949. But they did object to the decision that OEEC would meet on January 28th to discuss the next step in trade liberalization rather than waiting, as the French and British had argued, to see the effects of the fifty per cent liberalization measures. The option now left open to the French was to take the initiative and announce that Finebel was open to any member of OEEC interested in abolishing quotas on sixty per cent of private trade immediately and on seventy five per cent by the end of 1950, provided, of course, that the other conditions which the French had insisted upon in their report were met. But the danger of this proposal was that the French would most certainly have to remove quotas on 75 per cent of their imports from West



Germany which was totally unacceptable to the Ministry of Trade and Industry. They therefore had to devise a more flexible approach which in view of American and OEEC pressure for greater liberalization would still seem spectacular, and would address the problem of state trading which OEEC ignored. They also intended to make the calculations on the basis of 1949 trade rather than 1948. The scheme was to divide trade into three categories, food and agricultural products, raw materials and manufactured goods. In the first category they were prepared to liberalize 90 per cent of private trade so that at least 50 per cent of total trade would be liberalized. In the second category they were prepared once again to liberalize 90 per cent of private trade but only 75 per cent of the third category, manufactured goods. It was envisaged that the system would begin on July 1st 1950 (53).

While the financial side of the French proposals was the same as the OEEC payments plan, the French felt that Finebel could operate immediately whereas the OEEC plan was still only at the project stage, and would not operate until July 1st 1950 at the earliest. Not only therefore could Finebel avail itself of about 100 million dollars from ECA but it could as a group exert considerable influence within OEEC. But as usual the question of West Germany had to be settled before anything could be done. While it was recognized that the French condition for policy coordination under Finebel would curb the German government's freedom of action in economic policy-making, this could not remove the risk to the French economy of liberalizing as much trade with Germany as with the other members (54).

For these reasons the French were most anxious to arrange a ministerial meeting of the Finebel countries on January 26th so that these ideas could be presented as a joint initiative. Both the Belgians and the Italians had agreed to attend such a meeting but the Dutch preferred to wait and see what happened



within the OEEC first. They had no objection, however, to a meeting of experts on January 19th (55).

The meeting of experts did not get round to discussing the two vital issues of tariffs and West German participation since the French argued that both matters should be settled at ministerial level. They did agree though to support a new French proposal to the OEEC that 60 per cent of trade should be liberalized on July 1st (when the new payments scheme was supposed to come into operation) and 75 per cent by December 31st: both measures to be conditional upon the ending of discriminatory practices such as dumping and double-pricing. But they would be supported as French proposals and not submitted as a Finebel motion (56). Keesing felt the French were still against both the participation of West Germany and the lowering of tariffs. Indeed he felt that the French were trying to arrange an honourable burial for Finebel since it raised too many problems and since the Americans apparently did not consider that it went far enough to justify getting any dollars. What better way to bury it than to have the whole OEEC accept the liberalization measures which the Finebel countries had agreed among themselves? (57)

Things did not turn out that way at all. The Council of the OEEC did not accept the French proposals nor did it agree to the implementation of a European payments union. The isolated opposition of Stafford Cripps seemed to make further progress impossible. The Americans, in desperation, now started running in different directions hoping to find a solution to bring before Congress. Within ECA it was the view of Bissel that setting up Finebel did not constitute a solution. For a start it was too small and would engage the time of those experts who needed to be working on the wider European Payments Union. But this criticism contradicted and greatly embarrassed Hoffmann and Harriman. Indeed they had been arguing that the United States supported any



form of integration (58). Unwilling to let West Germany become a stumbling block to Finebel or Uniskan, Hoffman argued that it could participate in both. But at the same time he told Petsche that he wanted Finebel to become a little European clearing union. In reviewing the options Guindey wondered whether the best approach might not be to set Finebel up immediately. This would probably be too much for the newly-formed Italian government, but if they left the group, this might leave the door open for Switzerland, whom Belgium wanted as a partner. And indeed a group composed of France, Benelux and Switzerland was very attractive to Guindey (59).

The Dutch cabinet also met to consider its position for a Finebel ministerial meeting which had been scheduled for February 9th. Given the prospect that the Americans would be willing to provide a satisfactory regional group with dollar support, Finebel became an attractive proposition once more if it included West Germany and if the tariff question were resolved. What should, however, be made clear was that the group was open to any country willing to adhere to it and that if and when the OEEC agreed to similar measures, Finebel would be allowed to lapse (60).

On February 9th the long sought for Finebel ministerial meeting took place. Schneiter (standing in for Schuman) opened the meeting by stressing the need for some speedy action -- the Americans wanted some tangible results in the area of European economic cooperation which they could show to Congress. Whilst he sympathized with the need to include West Germany, he felt that the creation of such a trade preference area might alarm the British, who would see it as a continental bloc aimed against them, and that this might permanently damage any chance of Britain joining a payments union. Van Zeeland also recognized the need for haste and stated that since the inclusion of West



Germany would obviously raise complications, the Belgian government was willing to participate in a group which, in the first instance, was confined to France, Benelux and Italy. Stikker was now completely isolated on the German issue and rather than continue pressing it, he changed tack and questioned whether Finebel, without West Germany, was really what the Americans wanted. Besides which, he asked, were the measures which the group might take spectacular enough to attract dollar aid and, bearing in mind the list of unresolved points in the Experts' Report of December 1949, could the Finebel countries deliver results in time? Schneiter replied that it was possible that the Americans would prefer a group without West Germany since it would be cheaper in terms of the dollar support it needed and as for the points still open, he felt that they could be resolved. This still left open the question of whether the Americans would supply the group with dollars. Van Zeeland then proposed a dramatically simple suggestion which prevented the meeting getting completely out of hand. Firstly, why not ask the Americans if they were willing to supply the dollars to cover the deficit within the group caused by the inclusion of West Germany and secondly, if British objections to the inclusion of West Germany were an obstacle, why not ask them if they objected or not? He then asked Schneiter if the French would be willing to accept West Germany as a partner if these two conditions were met, to which he replied affirmatively. He then committed the Belgians to participation in Finebel, without West Germany, if either of the conditions were not met, a standpoint which was also taken by Luxembourg and Italy. Stikker reserved the Dutch standpoint, but agreed to talk with the British and Americans (61).

The interesting question raised by this meeting is whether French policy vis-à-vis the inclusion of West Germany had really changed, whether Schneiter, in order not to let Finebel collapse altogether, had taken a calculated risk



or whether he knew before agreeing to the conditions, that one of them would not be met. There is some suggestion in the archives that the latter might indeed have been the case but more research is needed before it can be proved one way or the other. Before the meeting had taken place, Stafford Cripps had contacted Petsche to persuade him not to permit the inclusion of West Germany in Finebel. He argued that West Germany should not belong to any regional group be it Uniskan or Finebel until it had been discussed by the occupying powers. To this Petsche had agreed that if the Dutch continued to press for West German inclusion, Finebel would not be formed (62). The Dutch ambassador in Paris reported that Schneiter had told him of a similar conversation between himself and Bevin. Since the talks between the two were supposed to have been chiefly about Indochina, the ambassador wondered whether a deal might not have been made between the two (63).

At the same time opposition to Finebel within the French government was increasing. In a note from the Service de Coopération-Economique within the Quai d'Orsay, on February 10th 1950 all the arguments about French economic backwardness and need for investment, which had been exposed at length in successive planning documents, were repeated. But if the plan had taken initially 1950 and subsequently 1952 as the date by which the French economy would be exposed to international competition, this was not the view of this section of the Quai d'Orsay. Trade liberalization it was felt would lead to the control by large American companies of the European economy. It was argued that the experience of Marshall Aid had shown that it was only large French companies which had close links with the United States which were able to reequip with Marshall Aid. If controls on trade and payments were dropped then American capital would flood into Europe transforming European production into mass production. Small companies would disappear leaving monopolies, high



prices and unemployment. The alternative was to reduce dollar purchases, not by cooperating with countries such as Belgium and West Germany which were making no effort in this direction, but by maintaining controls and directing trade towards the sterling area and Eastern Europe whose economies were complementary to the French. At the same time the investment effort could continue leading to an increase in productivity, and real wages if profits were reduced. An additional reason for ruling out French participation in a western European group was the fact that before the war France had a chronic trade deficit with the countries concerned which it was felt was bound to persist (64).

While waiting for Stikker to report back the Finebel experts had another meeting on February 15th 1950 to modify their report of December 9th 1949, so that it could be published. It was now written into the report that member governments would make their decisions on West German membership within a short time, since apart from the Netherlands government no one had a firm position. On issues of general policy it was agreed to harmonize budgetary, credit, fiscal, social and investment policies. But it was recognized that since much investment, and an increasing amount in most countries, was not under government control, any coordination would have to be done by private agreements between producers, both industrial and agricultural, and between private banks. On the question of the free movement of labour which had not been settled in December, it was now felt to be desirable if the economies were to be unified but the Dutch, fearful of two million unemployed Italians flooding the Dutch market, said that this right should only be given to those made unemployed as a result of integration. Agreement was also reached on the need to eliminate double pricing and dumping practices. In financial matters it was decided that the Bank for International Settlements would be the agent



for the group. If the Americans did not provide sufficient dollars for the reserve fund, and Harriman's comment that day that Finebel should be put on ice implied this, then the group was to accept second category payments and not impose bilateral ceilings. The system for capital movements was to be equally flexible. Provided the balance of trade allowed it, there were to be no restrictions on either the export of capital or the free movement of banknotes. But it was in the area of trade liberalization that agreement proved most elusive, and experts had to settle for an intention to consult on the problems caused by the coexistence of state and private trading. The French and the Italian refused to allow Benelux any compensation for the fact that it had abolished quotas on ninety per cent of its trade, insisting that the same, agreed percentage had to apply to each member country. Nor would the group agree to the Belgian proposal to put agricultural and finished products in one group. The experts report was published on February 16th 1950 (65).

The following day the considered reply of Britain to the conversations with Stikker arrived. But if the Dutch had hoped for a clear opinion or lead from Britain, they were disappointed. On the one hand the British requested time to consider the major issues raised by the possible participation of West Germany in Finebel but on the other hand they claimed that the whole question of Finebel was superfluous in view of the impending decision to set up a European payments union (66). Bevin's fear was as he told Acheson that if a limited payments scheme were set up it could be the first step towards a permanent division between the Sterling Area and perhaps Scandinavia, and the Finebel countries. He also considered it premature to take a decision on West Germany in the context of Finebel before the entire German problem was reviewed by the three powers in the spring (67). This did not prevent the British government though from extending an invitation to West Germany on



February 17th to join a sterling transferable account system (68). In the circumstances it seemed to all concerned that the best line of action was to press Britain to come up with its plan for a European payments union by March 9th 1950, and to put Finebel on ice until then.

But Acheson made it quite clear to Bevin that the decision to set up a European Payments Union or failing that, Finebel, could not wait for the outcome of the three power discussion on Germany (69). And three days later ECA gave positive encouragement to Finebel by promising to supply it with dollars, if indeed they were necessary, up to June 30th 1950 when the wider payments union was to come into operation. They expressed no opinion on the participation of West Germany in the group since the main attraction to ECA was if the group could operate immediately, and presumably put pressure on Britain to produce a scheme for a European Payments Union (70). But this new support and promise of dollars did not change the Dutch position. Since it had been established that even with the participation of West Germany, the Netherlands would continue to be a universal debtor within the group, Dutch enthusiasm for Finebel, feeble as it was, waned completely. Moreover, the Dutch had got little closer to achieving any concrete commitments on the question of tariff concessions which might have helped ease this position. Nor, as Stikker informed cabinet, did they seem likely to. The annual round of trade negotiations with France and Italy had run into difficulty. They were not, he complained, being conducted in the 'spirit of Finebel' (71). As Hirschfeld told Alphand on February 27th the Dutch wanted to wait and see what happened in OEEC rather than push ahead with Finebel (72).

The decision was a wise one in view of all the vacillations of American policy. At a meeting in Washington on March 1st between Acheson, Hoffmann, Harriman and Stikker Acheson commented on his recent visit to London, during



which he had discussed with Bevin and Cripps both British plans for a European Payments Union and Finebel. He found Bevin more actively interested than Cripps in an EPU and thus more strongly opposed to Finebel. With Bevin promising a plan in a couple of weeks Acheson and Harriman agreed that Finebel should be put back on ice for three weeks or so (73). When Cripps handed Harriman the British plan on March 7th it certainly did not measure up to American expectations and requirements. Britain was to retain a special status within the payments union and maintain its bilateral trade and payments arrangements with individual countries. It was also to retain the right to reimpose quotas on imports from OEEC countries if this was deemed necessary to protect its monetary reserves. But this disappointment was not enough to put life back into Finebel. Indeed, the following day Guindey expressed interest in joining the British inspired Uniskan scheme (74).

#### CONCLUSIONS

The Finebel discussions were never formally terminated, they simply failed to take place any longer. In subsequent histories of the period they have gradually slipped into the footnotes, usually accompanied by some humorous remark because of their rather silly sounding names (75). However, if all the various elements in all the various proposals are pooled together, they offer the following blue-print for European cooperation:

- a regional block consisting of Belgium/Luxembourg, France, Germany, Italy and The Netherlands
- the abolition of quantitative trade restrictions on 90 per cent of private trade in agriculture and raw materials and on 75 per cent of



trade in manufactures within the group by July 1st 1950 -- with presumably more to follow

- the abolition of prohibitive tariff barriers on intra-group trade and the lowering of others
- the removal of discriminatory fiscal practices and other administrative measures which distorted competition between group members
- the eventual establishment of a common market in agriculture
- the introduction of a qualified system of exchange rate flexibility to help correct imbalances on intra-group payments movements
- the rapid transition to full convertibility of currencies within the group
- a harmonization of national budgetary, credit and social policies
- the coordination of investment in industry and agriculture to promote economies of scale and exports to third markets
- the gradual introduction of free movement of labour within the group.

Admittedly a number of these elements were no more than statements of intent, but that was equally true of other international agreements, including the Treaty of Rome. The Dutch would probably have been willing to go along with such an arrangement though their commitment to exchange-rate flexibility was less than tepid (they had reserved the right not to apply it to their own currency). However they would probably have wanted more definite arrangements on the question of tariff reductions, especially if they were to remove other trade barriers. The two issues were linked in Dutch foreign economic policy -- the country was already in chronic balance of payments deficit, it had lost its freedom of policy on the tariff front when it had adopted the (low) Benelux tariff in January 1948 and if it were to reduce its last remaining



line of defence in the form of non-tariff barriers it expected a quid-pro-quo on the tariff front from high tariff countries. This was a line of policy it followed consistently through the EPU negotiations within the OEEC (76). Moreover West German participation in the group was an absolute condition. The Dutch had been working long and hard to obtain a satisfactory trade treaty with West Germany and had finally succeeded in the Autumn of 1949 (77). The effect was to transform a large payments deficit into a large surplus and that surplus was the only thing which made their overall balance within the group tolerable (see Appendix 2 Tables). Without that the Dutch would have been forced very early to deflate or to run down reserves or to get out.

It was not likely to have been very easy for suitable agreements to have been made on tariffs. The Italians were dead set against any open-ended commitment on their part and the French were not particularly keen either -- and certainly not if the group were to have contained West Germany. Indeed the Dutch ambassador in Rome had heard from an unimpeachable source that during the November/December negotiations 'an agreement had been made, whereby Italy would side with the French on the question of West Germany's participation in Fritalux; against this France would support Italian demands to cut back the Dutch proposals (75 per cent liberalization, lowering import duties etc.) which have clearly shaken the Italians' (78). The pattern of settlements between France and West Germany was in deficit right up to the last quarter of 1949 (though only the last two quarters of 1949 are given in the Appendix) and the turn around in the first quarter of 1950 was attributable more to the one-sided liberalization of West Germany's imports and a general deterioration in the West German balance of payments than to any inherent improvement in France's competitive position. Any across the board trade liberalization and tariff concessions which had also to be extended to West Germany awakened



concern not only for France's credit position within the group but also for the continued viability of certain manufacturing industries. Yet without West German participation there would be no Dutch participation and without Dutch participation there would be no Benelux participation and without that, there was not really much of a regional group left over.

What the French, therefore, had to find was a means for including West Germany in a regional group whilst at the same time making it attractive for the others and, at the same time again, neutralizing the damaging effects on the French economy. The Schuman Plan answered all of these criteria!



## APPENDIX 1

TARIFF LEVELS IN THE FRITALUX/FINEBEL GROUP AND WEST GERMANY  
1951 (per cent)

	Benelux	France	Germany	Italy	AVERAGE
Food, Drink					
Agric. Products	6.5	24.0	17.5	32.0	18.5
Paper	15.0	25.0	14.0	22.5	16.5
Chemicals	7.0	15.0	24.0	17.0	13.0
Rubber	24.0	14.0	25.0	24.0	19.0
Metals	6.0	12.0	13.0	22.0	10.0
Textile Products	13.0	16.0	20.0	24.0	16.0
Textile	-	2.0	-	4.5	1.0
Machine Trans-ports	10.0	17.0	15.0	28.0	15.0
Coal	-	-	-	6.5	1.5
AVERAGE	7.0	17.0	14.0	19.0	13.0

- Note: 1) Specific duties have been calculated as a percentage on the basis of 1951 prices
- 2) The various duties are weighted on the basis of the composition of imports in 1951
- 3) Although this procedure might create specific distortions compared with the same procedure applied to 1949 and 1950 the overall pattern is unlikely to have been substantially different

Source: Min. Fin., BBV, 1262/8 Economische aspecten der Europese Gemeenschap  
dd. 16.9.1953



## APPENDIX 2

## NET DOLLAR BALANCES IN THE FRITALUX/FINEBEL GROUP AND WEST GERMANY 1949/1950

Note: 1. These figures refer to the balances of payments movements in the widest sense of the term. They embrace loans and loan repayment transactions.

2. The data refers only to dollar transactions taking place via the Intra-European Payments and Compensations Agreements. They do not include payments in gold or in non-dollar currencies nor do they include payments through bilateral clearing and drawing rights agreements.

European Payments and Compensations. Surpluses and Deficits for the period 1.7.1949-18.9.1949 (000\$)

TABLE 1

	BLEU	FRANCE	ITALY	NETHERLANDS
BLEU		+18735	-127	-34808
FRANCE	-18735		+7870	-11899
ITALY	+127	-7870		-51
NETHERLANDS	+34808	+11899	+51	
TOTAL				
'FRITALUX'	+16200	+22764	+7794	-46748

TABLE 2

	BLEU	FRANCE	ITALY	NETHERLANDS	W GERMANY
BLEU		+18735	-127	-34808	-26824
FRANCE	-18735		+7870	-11899	-11899
ITALY	+127	-7870		-51	+3730
NETHERLANDS	+34808	+11899	+51		-1108
W.GERMANY	+26824	-17031	-3730	+1108	
TOTAL					
'FRITALUX'					
+ W.GERMANY	+43024	+5733	+4064	-45640	-7171

Source: B.I.S. Agreements for Intra-European Payments and Compensations. Report for December 1949 (Min.v. Fin. BBV 1260/8).



European Payments and Compensations Surpluses and Deficits for the period  
19.9.1949-31.12.1949 (000\$)

TABLE 3

	BLEU	FRANCE	ITALY	NETHERLANDS
BLEU		+10312	-6907	-4833
FRANCE	-10312		+14931	+2433
ITALY	+6907	-14931		+233
NETHERLANDS	+4833	-2433	-233	
TOTAL				
'FRITALUX'	+1428	-7052	+7791	-2167

TABLE 4

	BLEU	FRANCE	ITALY	NETHERLANDS	W GERMANY
BLEU		+10312	-6907	-4833	-7001
FRANCE	-10312		+14931	+2433	+7049
ITALY	+6907	-14931		+233	+343
NETHERLANDS	+4833	-2433	-233		-59388
W.GERMANY	+7001	-7049	-343	+59388	
TOTAL					
'FRITALUX'					
+ W.GERMANY	+8427	-14101	+7448	+57221	-58997

Source B.I.S. Agreements for Intra-European Payments and Compensations.  
Report for March 1950 (Min.v. Fin. BBV 1260/8).



European Payments and Compensations Surpluses and Deficits for the period  
1.1.1950-31.3.1950 (000 \$)

TABLE 5

	BLEU	FRANCE	ITALY	NETHERLANDS
BLEU		-13895	-11146	-49243
FRANCE	+13895		+11008	+67
ITALY	+11146	-11008		+86
NETHERLANDS	+49243	-67	-86	
TOTAL				
'FRITALUX'	+74284	-24970	-224	-49090

TABLE 6

	BLEU	FRANCE	ITALY	NETHERLANDS	W GERMANY
BLEU		-13895	-11146	-49243	-4775
FRANCE	+13895		+11008	+67	-19457
ITALY	+11146	-11008		+86	-2421
NETHERLANDS	+49243	-67	-86		-38308
W.GERMANY	+4775	+19457	+2421	+38308	
TOTAL					
'FRITALUX'					
+W.GERMANY	+79059	-5513	+2197	-10782	-64961

Source: B.I.S. Agreement for Intra-European Payments and Compensations. Report for March 1950 (Min.v. Fin., BBV, 1260/8)



## NOTES

\*We would like to thank drs. Anjo G. Harryvan for his help as research assistant in helping to bring this paper about.

1. Viz the creation of the OEEC, the evolution of increasingly liberal intra-European payments schemes and, within the EPU, the lowering of quantitative trade restrictions.

2. The Dutch archivists at the time may have had the right idea. In both the cabinet archive and that of the Directorate of Economic and Military Cooperation in the Ministry of Foreign Affairs, the Schuman Plan was initially coded under numbers which meant 'economic cooperation between France and Germany'.

3. Min AZ, Kabinet, 351.88(493.2): 33 Note Stikker dd. 30.12.1949. Foto 20060.

4. J.E. Meade, Negotiations for Benelux: An Annotated Chronicle, 1943-1956, London 1957.

5. AN, F60.898. Note du Ministère des Affaires Etrangères, Projet d'union douanière France, Belgique, Luxembourg, Pays-Bas doc. 110 dd. 29.12.1944.

6. It was also an Accord and not a Treaty and had, therefore, a less binding character.

7. Richard T. Griffiths, Economic Reconstruction Policy in the Netherlands and its International Consequences, May 1945-March 1951, EUI Working Paper no. 76, Florence 1984, 38-41.

8. A.D., Serie Y.45. Note from Alphand dd. 15.8.1947.

9. Griffiths, op. cit., 42.

10. Min. BZ, DGEM, 02/16 Van Houten to Min. BZ dd. 22.8.1947. ARA, MR (570), REA 10.9.1947.

11. W. Diebold, Trade and Payments in Western Europe. A Study in Economic Cooperation 1947-1951, New York 1952, 354-357.

12. Min. BZ, Dept., 610-20 (Econ. Samenwerking Benelux-Frankrijk-Italië) Confid. Aide-Memoire, Fr. Embassy The Hague to Min. BZ dd. 16.1.1948.

13. Idem, Bijeenkomst met de Belgen op Dinsdag 20 januari.

14. Idem, Dir. Econ. Zaken to Fr. Embassy. The Hague dd. 27.1.1948. The verbal note from the Italian government inviting the Benelux countries to join the Franco-Italian customs union was delivered on 30.1.1948. It differed from the French note in emphasizing that what was being suggested was simply a preliminary exchange of ideas. The reply given on 7.2.1948 was exactly the same as that given to the French.



15. Diebold, op. cit., 359-367.
16. AN, 80 AJ, 87 3 Monnet, Notes, dd. 15.4.1949.
17. A.S. Milward, The Reconstruction of western Europe 1945-1951, London 1984, 283.
18. AN, F60 bis 469. Report of conversation between Petsche, Snyder, and Mac Chesney Martin, dd. 5.7.1949.
19. AN, F60 bis 469. Letter from De Margerie to Guindey, 26.7.1949.
20. AN F60 bis 469 Projet 'C' dd. 22.8.1949. Copy also available in Min. Fin., BBV, 1260/11. Project "C" Note, Paris dd. 22.8.1949. This description does not do full justice to the scrappy nature of the plans. It suggests a certain unity and coherence of vision which was not really there. Project "C" was a 4 1/2 page document with less than half a page comprising a statement of intent, 2 pages devoted to general principles and 2 pages dealing separately with French/Italian concessions, French/Belgian concessions and Belgian/Italian concessions.
21. "The Netherlands experts are in full accord with the aim of the French proposal, viz. to allow a rapid and important liberating of the interchange of goods and services by abolishing quantitative restrictions on imports and exports".
22. Min. Fin., BBV, 1260/11 Memorandum dd. 13.9.1949.
23. This point was also blighting the negotiations on the Benelux 'pre-Union' Treaty which were going on at the same time. See Griffiths, op. cit., 40.
24. Milward, op. cit., 307.
25. Min. Fin., BBV, 1260/11 Conclusions provisoires des experts dd. 16.9.1949.
26. Min. BZ, Dept., 610-20 (Fritalux/Finebel). Telegramme van Boetzelaar to Min BZ, Paris dd. 5.10.1949.
27. Min. AZ, Kabinet, 351.88 (493.2):33 Besprekingen te Parijs op 18, 19 en 20 October 1949 dd. 25.10.1949. A note from Baron Snoy attached to this report showed that his thinking at least was moving in basically the same direction.
28. "This brings me to our final suggestion, which has to do with the path by which this goal of integration may be reached. I have repeatedly referred to the creation of a single European market. Many of the immediate steps that need to be taken towards this goal can, and will, involve the whole group of participating countries. But there are other arrangements, some already in prospect, involving smaller groups of countries which, I am convinced, will also turn out to be steps towards the same objective. I do not



believe that any path toward integration should be left unexplored ... I feel, therefore, that, while pressing forward to the broader objective of economic integration of all the participating countries, we should not slacken our efforts towards the establishment of close economic cooperation within one or more smaller groups of countries."

29. Min. AZ, Kabinet 351.88 (4):336 Bijeenkomst te Parijs van de Consultative Group en van de Council of Ministerieel niveau van 28 October tot 2 November 1949 dd. 5.11.1949.

30. AN, F60 bis 469. Report from Ministère des Affaires Etrangères, Le Groupement Régional, 14.11.1949. (Copy also available in Min BZ, DGEM, 6106/1237 (Plan Petsche I)).

31. Min. BZ., DGEM, 6106/1237 (Plan Petsche) De multilateralisatie van het Europese handelsverkeer dd. 10.11.1949.

32. ARA, MR (571) Minutes of the Raad voor Economische Aangelegenheden dd. 16.11.1949.

33. Min. AZ, Kabinet, 351.88 (4): 341.01 Ontwerp memorandum voor de besprekingen welke in Parijs op Frans initiatief zullen plaats vinden dd. 22.11.1949.

34. ARA, MR (571) Minutes of the Raad voor Economische Aangelegenheden dd. 23.11.1949.

35. Min. Fin., BBV. 1260/11, Memorandum voor de besprekingen welke te Parijs op Frans initiatief zullen plaats vinden dd. 28.11.1949.

36. Min. BZ, DGEM, 6106/1237 (Plan Petsche I) Letter Hirschfeld to van Kleffens dd. 25.11.1949.

37. Min. BZ, DGEM, 6106/1237 (Plan Petsche I) Letter Hunter to Hirschfeld dd. 29.11.1949.

38. Min. Fin., BBV, 1260/12 Note on Fluctuating Exchange Rates dd. 29.11.1949. The note was drafted by Beyen who, at the time, was an executive director of the IMF.

39. A.N. F60 bis 469. Letter from Baraduc to de Margerie, dd. 14.11.1949.

40. Chapter 4, Section b article 20 of the Havana Charter allowed a government to introduce restrictions if, as a result of freeing imports, the increased level of imports created difficulties for domestic production.

41. AN. F60 bis 469. Note from Directeur général des Affaires Economiques et Financières, dd. 5.12.1949.

42. The fullest account of these negotiations is to be found in Min. AZ, Kabinet 351.88 (493.2):33 Verslag van de besprekingen, die te Parijs zijn gevoerd op initiatief van de Franse Regering tussen de Beneluxlanden.



Frankrijk en Italie dd. 6.12.1949. This also contains as appendices the experts' reports which had been produced. This has been supplemented, where necessary, by a number of daily reports and adhoc memoranda, namely:

Min. BZ, DGEM, 6106/1238 (Plan Petsche) Beknopte samenvatting van de eerste zitting der Economische Commissie dd. 1.12.1949, Beknopte samenvatting van de tweede zitting van de Economische Commissie dd. 2.12.1949., Nota voor de Minister betreft Monetaire Besprekingen te Parijs in het Kader van het Plan-Petsche (Keesing) dd. 6.12.1949.

Min. Fin., BBV, 1260/12 Besprekingen te Parijs dd. 30.11.1949  
Besprekingen multilateralisatie en liberalisatie te Parijs dd. 3.12.1949.

Accounts are also to be found in AN. FGO bis 469.

43. Min. BZ, DGEM, 6106/1238 (Plan Petsche) Verslag van de bespreking gehouden op 7 December 1949 op het Ministerie van Buitenlandse Zaken betreffende de besprekingen te Parijs inzake economische samenwerking tussen de West-Europese landen. See also A.D. Série CE Europe 56 Conférence des Experts, 29.11.1949-10.12.1949.

44. Min. AZ, Kabinet, 351.88 (493.2): 33 Vervolg verslag van de besprekingen, die te Parijs zijn gevoerd op initiatief van de Franse Regeering tussen de Beneluxlanden, Frankrijk en Italie dd. 12.12.1949. The eighteen pages which Baraduc was asked to draw up were not much more than another list of the general commitment of the countries to harmonize their economic financial and commercial policies. These were that countries should:

- harmonize their budgetary, credit, fiscal and social policies in order to encourage the liberalization of trade and payments
- coordinate investments in industry and agriculture either through governments or state-sponsored private agreements
- move towards the creation of a common market in agriculture
- gradually eliminate all restrictions on the free mobility of labour
- suppress as rapidly as possible all discriminatory practices including dumping and double pricing
- accept second category compensation within the group provided that the Americans set up a common reserve fund
- liberalize all payments on current account except for invisible transactions
- liberalize all capital movements as soon as possible
- lift restrictions on the import and export of bank notes
- remove 75 % of quantitative restrictions on trade by 31 December 1950 and at a faster rate than within OEEC (this was on the understanding that 100 % liberalization was dependent on an adequate harmonization of budgetary and credit policies, the elimination of discriminatory practices and dumping, and the coordination of investment)
- set up an organization which would supervise the implementation of the measures recommended by the experts.

But beneath these commendable recommendations many of the individual entrenched positions remained.

Idem. Rapport des Experts de la Belgique, de la France, de l'Italie, du Luxembourg et des Pays Bas concernant l'Etablissement d'une Association Economique et Financière en Europe Occidentale.



45. PRO T232/148 Hall Patch to Foreign Office 13.12.1949.

46. Min. AZ, Kabinet, 351.88 (493.2): 33 Vervolg verslag van de besprekingen, die te Parijs zijn gevoerd op initiatief van de Franse Regeering tussen de Beneluxlanden, Frankrijk en Italië dd. 12.12.1949.

47. Idem, Letter from Stikker dd. 30.12.1949 Foto 20060.

48. A.N. F60 bis 384 Letter from Valay to Bidault dd. 24.12.1949.

49. ARA, MR (583) Enige Kanttekeningen bij het memorandum dd. 30 December 1949 van de commissie van financiële experts van de Raad der OEEC dd. 2.1.1950.

50. ARA, MR (533) Nota betreft Multilateraal Europees betalingsstelsel dd. 2.1.1950.

51. They had only just changed the name and clearly not everyone was quite sure exactly what the new one was.

52. ARA, MR (572) Minutes of the Raad voor Economische Aangelegenheden dd. 4.1.1950.

53. A.D. Série, CE Europe 56 Note for SGCICEE from Service de Coopération Economique, dd. 7.1.1950.

54. AN, F60 bis 469 SGCICEE, Note sur la Coopération Economique, dd. 9.1.1950

55. ARA, MR (xxx) Minutes of the Ministerraad dd. 16.1.1950. The Dutch were put under considerable pressure. Van Zeeland told Stikker that he was determined to go to Paris on January 23rd and 24th for a Finebel meeting. He urged Stikker to go with him if only to put pressure on France to make a decision on West Germany and the issue of tariffs. Stikker, who was going to be in Paris anyway on those dates still refused (Min. BZ, GS 610.20 Fritalux (Finebel) Experts Conferentie 1949, Telegramme Stikker to Min. BZ dd. 19.1.1950.

56. A.D. Série CE Europe 56 Telegramme from Alphand to London, dd. 19.1.1950.

57. Min. Fin., BBV, 1260/12 Verslag van een gesprek op 19 dezer 21 uur met Prof. Keesing te Parijs dd. 20.1.1950.

58. AN, F60 bis 469 Note from Harriman dd. 6.2.1950.

59. AN F60 bis 469 Guindey to SGCICEE dd. 3.2.1950.

60. ARA, MR (583) Bijeenkomst te Parijs van de Consultative Group en van de Council of Ministerieel Niveau van 26 Januari t/m 1 Februari 1950 dd. 6.2.1950.



ARA, MR (572) Minutes of the Raad van Economische Aangelegenheden dd. 8.2.1950. The idea of Switzerland in the group had also occurred to the Dutch cabinet. It was not keen on the idea since it would worsen the Dutch financial position.

61. ARA, MR (583) Besprekingen inzake Finebel te Parijs op 9.2.1950.

62. A.D. Série CE Europe 56 Telegramme from Alphand to Washington dd. 7.2.1950.

63. Min. BZ, Dept. 610.20 (Econ. Samenwerking, Benelux, Frankrijk, Italie) Letter Ambassador Paris to Boon dd. 9.2.1950. The letter also contains a rather charming remark attributed to Bevin, "What is this Finebel anyway? Is it a flower. If so, it is certainly one with many thorns."

64. A.D. Série CE Europe 56 Service de Coopération Economique, Note sur la libération des échanges et unions régionales, dd.10.2.1950.

65. A.D. Série CE Europe 56 Rapport des Experts, 16.2.1950.

66. Min. BZ, GS, 610.20 Stikker telegramme to ambassadors in Brussels, Luxembourg, Paris and Rome dd. 20.2.1950.

67. FRUS, vol. III, 1950 Bevin to Acheson 11.2.1950.

68. FRUS, vol. III, 1950 Acheson to Bevin 22.2.1950.

69. Ibidem.

70. Min. BZ, DGEM, 6217/1341 Copy of ECA statement to Alphand dd. 25.2.1950.

71. ARA, MR (572) Minutes of Raad voor Economische Aangelegenheden dd. 21.2.1950.

72. Min. BZ, DGEM, 6217/1341 Letter Hirschfeld to Cabinet dd. 27.2.1950.

73. FRUS, vol. III 1950 Memo of conversation in Washington dd. 1.3.1950.

74. AN, F60 bis 469 Guindey to SGCICEE dd. 8.3.1950.

75. For exception see Milward, op. cit., 306-316.

76. Griffiths, op. cit., 45-48.

77. Ibid., 36-38.

78. Min. BZ, Dept. 610.20/25 (Economische samenwerking Benelux, Frankrijk, Italie) Telegramme Ambassador Rome to Stikker dd. 11.1.1950.



## ARCHIVALIA

The French archives used for this paper were:

- the archives of the Secrétariat Général Interministériel pour les questions de Coopération Economique Européenne (SGCICEE). This was a governmental committee set up in June 1948 which brought together those ministers and civil servants involved in formulating policy for European cooperation and the utilization of Marshall Aid. The archives, which are only available with special permission, are located in the Section Contemporaine of the Archives Nationales under the provisional classification (AN) F60 BIS;
- the archives of the European section of the Ministère des Relations Extérieures. Once again these archives were available with special permission under the provisional classification Série CE Europe (prefixed in the notes by A.D. (archives diplomatiques));
- the archives of the first French plan in the Archives Nationales under the classification Série 80 A.J.

The Dutch archives used for this paper were:

- the Ministerraad archief. This archive contains the minutes of the meetings of the full cabinet (ministerraad) and the cabinet economic committee (Raad voor Economische Aangelegenheden) and after January 1st 1950 the discussion papers. They are located in the Algemene Rijksarchief. They are referred to in the notes under the abbreviation ARA, MR;
- the cabinet archive of the Ministry of General Affairs (Ministerie van Algemene Zaken - a portfolio held automatically by the Prime Minister) which contains the cabinet discussion papers for the period before January 1st 1950. They are referred to in the notes under the abbreviation Min. AZ, Kabinet;
- the archive of the foreign payments section (Buitenlandse Betalingsverkeer) in the Ministry of Finance, abbreviated in the notes to Min. Fin., BBV;
- the archive of the Ministry of Foreign Affairs (Ministerie van Buitenlandse Zaken). The sections consulted were the general departmental archive, abbreviated to Min. BZ, Dept., the secret document (geheime stukken) section of the same, abbreviated to Min. BZ., GS and the archive of the Directoraat-Generaal voor het Economisch en Militair Hulpprogramma which was the bureau set up by Hirschfeld and which concerned itself inter alia with Marshall Aid and all the subsequent initiatives stemming from it and which is abbreviated in the notes to Min. BZ, DGEM.



The British archives used were all in the Public Records Office, London in the files of the Treasury and the Foreign Office. They are abbreviated in the text as PRO (T) and PRO (FO).







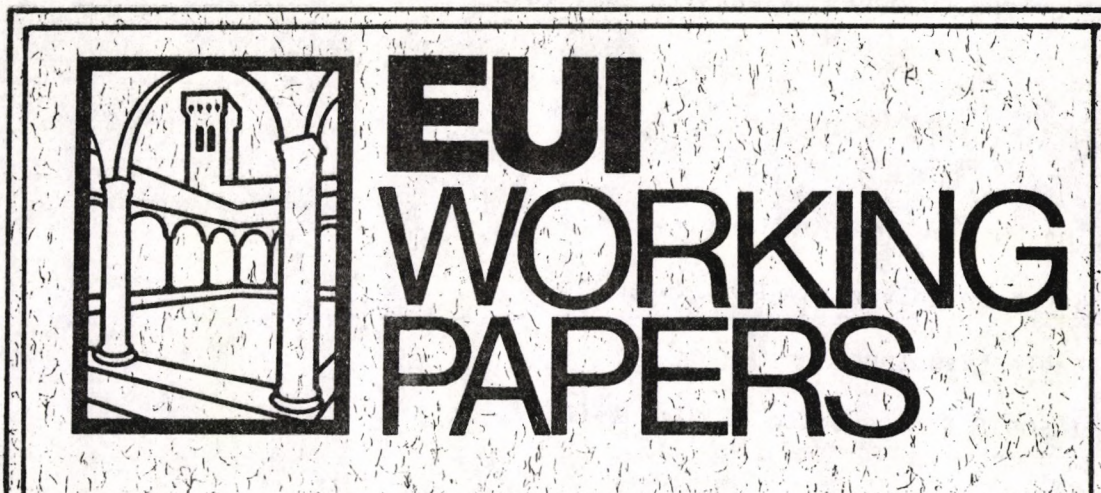
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