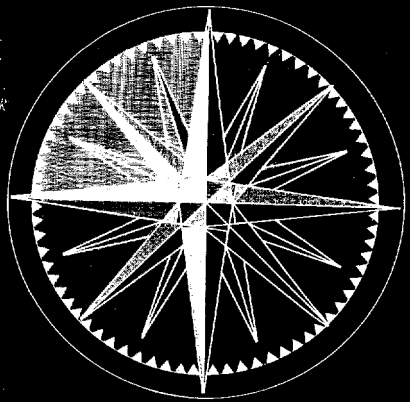


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# SPECIAL REPORT

EUROPEAN UNION: STATUS AND PROSPECTS

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

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**EUROPEAN UNION: STATUS AND PROSPECTS**

In the seven months since the collapse of Britain's bid for Common Market membership, mutual suspicion among the member countries has sharply retarded the remarkable progress which the EEC maintained in its first five years. Integration of agriculture--essential to the community's internal balance--is stalemated on differences between Bonn and Paris. The community institutions in Brussels are proving increasingly inadequate to carry out the economic objectives of the Six, let alone effect their political integration. Above all, moves toward political union are stalled on the refusal of France's partners to accept the Gaullist concept of a "European Europe" dominated by Paris and competing with Washington.

The European movement seems thus to have come to another of its major turning points--with De Gaulle in the key role. Integration cannot proceed without France, and only De Gaulle is in position to bring about another rapid advance. Assuming De Gaulle desires some kind of European union, his chances of achieving it any time soon would seem to depend on his willingness to accept a somewhat more modest role in it for France and on his defining a generally acceptable basis for the union's relations with the United States.

The Current Malaise

Since De Gaulle's veto last January of Britain's application for Common Market membership, the odds on European union have suffered their worst decline since the European Defense Community fiasco nine years ago. In the last seven months, the Common Market has concentrated primarily on holding the gains of the past five years, and the little additional progress it has made has depended on agreements reached prior to the veto. Decisions of major importance have been postponed, national and even nationalist interests have strongly com-

peted with the "community spirit," and differences over the ultimate objectives of European union have intensified.

Few if any observers would suggest that the European unity movement is moribund. Many are beginning to question, however, whether prolongation of the present malaise might reduce the EEC to the relative impotence of the Coal-Steel Community, and whether it remains a realistic expectation that the Common Market will be the vehicle of political integration, as its members initially thought. These, in turn, give rise to other questions: whether the European

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Community is now or is likely again to become a viable base for a European-American partnership, or whether the search should now begin for alternatives to deal with the forces which would be unleashed if all hope of a united Europe should disappear.

The ultimate outcome, however, will not turn upon one victory or one defeat, but will be the result of a cumulative process. Several closely interrelated issues are at hand on which at least the immediate course of the community movement almost surely hangs. These are (1) the clash of national interests involved in the integration of agriculture; (2) the creeping debilitation of the community's institutions; (3) the imbalance of power within the Six--i.e., the problem of De Gaulle and the French-German special relationship; and (4) the disagreement over Europe's eventual relationship--commercial, political, and military--to the United States.

France, Germany, and  
The Price of Grain

Of the several potentially disruptive conflicts of truly vital economic interests among the EEC members, the dispute over the future of European agriculture is the most critical one. Although all the member countries are involved, the issue is primarily one between Bonn and Paris, and it focuses principally on the price of grain.

As De Gaulle noted in his 29 July press conference, the EEC treaty made "adequate provisions for industry, but merely raised the question of agriculture, without answering it." To an important extent this "gap" has been filled by subsequent negotiations--notably, by the marathon meetings in December 1961 and January 1962 which produced the general regulations for an integrated EEC market in grains, pork, eggs, poultry, fruits, vegetables, and wines. However, similar regulations for trade in beef, dairy products, and rice have not been established, nor above all has agreement been reached on a community price for grains.

The importance of the grain price lies in the impossibility of opening free trade within the EEC in either grain or in the animal products dependent on it until all the member countries are pegging the price of grain at approximately the same level. The difficulty of achieving such a harmonization lies in the fact that the West German price is more than 30 percent higher than the French--these two being the highest and lowest in the EEC. Elimination of this differential would have major implications for the technological revolutions already under way in agriculture in both these countries, for their commercial relations with each other, and for the outside world--and perhaps would even affect the balance of economic power within the community as a whole.

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Given the political weight of the German farmer, it has been the natural tendency in Bonn--despite the pressures from France--to let the grain issue slide. The EEC treaty provides, however, that if an agreement is still lacking by 1966, a majority of the EEC Council is sufficient to decide. Since majority sentiment almost certainly favors a community price closer to the French than to the German level, this provision is a strong inducement to Bonn to bargain soon for a solution rather than wait until a settlement is imposed. The other main pressure on Bonn is the upcoming Kennedy Round of tariff negotiations, from which West Germany can expect no benefits for its industrial exports unless the EEC is in a position to negotiate as a unit on agricultural products.

These inducements, plus the cajoling from Paris, appear to be bringing the farm issue to a head. The question predominated at the De Gaulle - Adenauer meeting in early July, and talks between the French and German ministers of agriculture have followed. On Bonn's side there appears to have been acceptance of the necessity of eventual reduction of the German price, and Paris for its part appears prepared to agree that the resulting problems for the German producer may be temporarily eased with direct subsidies financed in part from the EEC's agricultural fund. Proposals along these lines are known to have been drafted by EEC Commissioner Mansholt, and expectations

are that they will be formally advanced by the Commission later this year.

A preliminary understanding of this sort, however, would by no means ensure solution of the farm problem. Complex details would have to be settled. In recent talks with Special Representative Herter, Bonn officials were pessimistic of early agreement, and De Gaulle's virtual ultimatum in his 29 July press conference suggests a growing impatience in Paris--although this may have been intended primarily for the ears of the discontented French farmer. In any case, the climate of crisis which has now developed is not likely to nurture careful regard for US farming interests.

Institutions: The Search  
for Decisions, Authority,  
and Responsibility

The complexity of these issues has focused increasing attention on the rickety institutional machinery established by the community treaties. Decisions are neither easily nor quickly taken, and once taken, they are "frozen." It has been a matter of growing concern to democratic opinion that the community's growing bureaucracy is subject to no political review. Moreover, the foreign missions which have crowded into Brussels in search of the locus of responsibility have found themselves shuttled instead from the commissions to the permanent delegations to the member states and back again.

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There are numerous examples both old and new of the inadequacy of the Common Market's institutions to the task of running an economic complex roughly comparable to the United States. For more than five years, for example, an "inter-executive committee" has searched without success for a common energy policy to bridge the competing interests of coal, petroleum, and natural gas. For the US, the poultry problem has been a particularly frustrating instance of institutional weakness. Although the EEC Commission was sympathetic to the US desire for a reduction in the poultry levies, it was powerless to effect one. Moreover, the increase in the levies approved last April over US protests was affected by the six agricultural ministers without the knowledge of the foreign ministers. Still another example of the diffusion of power was the side-tracking of important decisions at the 19 June Council meeting pending the outcome of the De Gaulle - Adenauer meeting in early July.

As the work of the Common Market has increased, the six foreign or economic ministers have found themselves sitting in Brussels as the EEC Council with ever-increasing frequency at progressively longer meetings. The issues they decide, however, are so technical that they must defer to the technical ministers--agricultural, for example--a situation which has the effect of imparting to

community policies an increasingly parochial outlook. In the present atmosphere of jealous defense of national interests, the Council finds great difficulty in accepting the "community position" it is the purpose of the Commission to advance. The European Parliament has found it difficult to make its influence felt to any great extent, and it has hesitated to use its power of censure against any of the three Commission executives lest they be weakened in their struggle to establish a measure of independence from Council control.

Despite the demonstrated need for basic overhaul, the pro-Europeans have been chary of opening the institutional question more than a cautious

**THE EUROPEAN COMMUNITIES**

(MEMBER STATES: FRANCE, W. GERMANY, ITALY, BELGIUM, NETHERLANDS, LUXEMBOURG)

EUROPEAN ECONOMIC COMMUNITY (EEC) COAL-STEEL COMMUNITY (CSC) EURATOM

GENERAL PURPOSE	MAJOR INSTITUTIONS	PRESENT FUNCTIONS
PARLIAMENTARY CONTROL	<div style="border: 1px solid black; padding: 2px; text-align: center;">EUROPEAN PARLIAMENT</div> 142 members chosen by national parliaments of 6 member countries.	Reviews and debates annual reports of the three communities. By two-thirds vote may compel executive commissions and CSC High Authority to resign.
POLICY FORMATION, COORDINATION, & EXECUTION	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px; text-align: center;">EEC COUNCIL OF MINISTERS</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">CSC COUNCIL OF MINISTERS</div> </div> <div style="border: 1px solid black; padding: 2px; text-align: center; margin: 5px auto; width: 80%;">EURATOM COUNCIL OF MINISTERS</div> One cabinet-level representative of each state, usually foreign or economic ministers.	Formulate general community policies and harmonize related national policies. Majority principle tends to replace unanimity as treaties are implemented.
JUDICIAL CONTROL	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px; text-align: center;">EEC COMMISSION</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">CSC HIGH AUTHORITY</div> </div> <div style="border: 1px solid black; padding: 2px; text-align: center; margin: 5px auto; width: 80%;">EURATOM COMMISSION</div> 5-9 members appointed by agreement among member states or co-opted. <div style="border: 1px solid black; padding: 2px; text-align: center; margin: 5px auto; width: 80%;">COURT OF JUSTICE</div> 7 judges and 2 advocates appointed by agreement among the member states.	Generally supervise application of the three treaties. Recommend community policies--in some cases councils must be unanimous to overrule.
		Interprets and reviews legal application of the three community treaties.

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crack for fear of De Gaulle's antipathy for the Brussels "technocrats." In the past several years, however, considerable support has developed for two proposals which might strengthen the community's machinery without involving any shift of powers among its agencies or between them and the member states.

Proposed Institutional Changes

One of these would merge the High Authority and the EEC and EURATOM Commissions into a "high European commission," perhaps with an enlarged membership. Although exercising only the combined powers of the present executives, such a commission, it is thought, would have increased prestige, attract personnel of higher caliber, and combine the technical services of the three communities--which combination, strangely enough, has never been fully completed.

The other reform measure would merely carry out the existing but unimplemented provisions of the three treaties for replacement of the European Parliament--now designated by the national parliaments--with an assembly elected by direct, universal suffrage. The detailed regulations for such elections are contained in an intergovernmental convention drafted by the present parliament in 1960 but never acted on by the member governments. Like the merger of the executives, mainly psychological advantages are attributed to the idea of a popu-

larly elected assembly. It would, it is thought, seem truly supranational in character, bring increased public support and interest to the community's work and, like most assemblies without much to do, perhaps become a "restless force" working for further integration.

One may be skeptical that the advantages of either merger or elections would be as great as anticipated. In particular it is questionable that a popular assembly could "usurp" powers not willingly relinquished by the member states. Nevertheless, Paris has opposed any scheduling of European elections as "inopportune," and has made its support of executive fusion conditional on treaty revision.

However, at the meeting of the EEC Council of 11-12 July, the French themselves shifted their position somewhat by introducing a resolution calling for merger of the executives by the end of this year, a commitment to "harmonize" the community treaties within three years, and consideration of "any" proposals which might be presented for "strengthening the relations between" the European Parliament and the other community institutions. This resolution was further discussed at the Council meeting of 29-30 July, and agreement would apparently have been reached on the proposal for an end-of-year executive merger but for the reluctance of Luxembourg to relinquish the seat of the CSC High Authority.

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Despite the cries of pain from Luxembourg, the US Mission believes it will be possible to find some "payment" for Luxembourg --perhaps the seat of the European Bank--which will permit merger to be approved some time this fall. The outlook is much less favorable for agreement on the other French proposals, however, and barring some major shift in sentiment, the parliamentary elections idea seems likely to remain buried for the foreseeable future. Indeed, indicative of continued suspicions surrounding any French move, a responsible Italian official has expressed the view to a US Embassy officer that "the French wish to give the appearance of favoring fusion of the communities and strengthening parliament, but attach such conditions as to make progress extremely difficult."

The Stony Path  
of Political Union

The implications for the longer term struggle over the political organization of Europe have given the institutional question an importance going beyond the efficient functioning of the existing communities. Discussions of the question, however, have tended to descend to bickering over details.

The community founders were convinced that political union would gradually unfold from the economic institutions established in Brussels. This conviction has no doubt been shaken by the events of the past five years, but among the

advocates of a directly elected European parliament there are still those who see such a body as a step toward a constituent assembly that would establish a formal European political union. Although increasingly less likely now to say so publicly, these "pro-Europeans"--essentially federalists--envisage the eventual emergence of a European government based on a parliament elected by the "European peoples," some kind of multiple executive responsible to it, and perhaps some agency (such as a senate derived from the present councils) to represent the member states.

Opponents of this concept have included the skeptics who have consistently doubted that Europe could move--absentmindedly, so to speak--from economic to political union without an act of will. It has also included those (West Germany's Erhard is an example) who have believed a broader, if looser, union more important than one restricted to countries willing to accept the federalist rules for unification, and the British, who have advocated a pragmatic rather than a logical route to European cooperation. Above all, it has included De Gaulle the theoretician, with his disdain for supranationalism and integration, but perhaps not De Gaulle the politician, who accepted the EEC's common agricultural policy and is now pressing for a more fully integrated agricultural market.

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In the last few years, however, both camps have recognized the growing difficulty of delineating either their own or their opponents' positions. The familiar labels of the postwar argument over the route to union in many cases have lost their meaning, and under the force of events, the gap between theory and practice has widened on both sides. Such ardent federalists as Paul-Henri Spaak and Jean Monnet were strong supporters of Britain's admission to the community, knowing full well London's aversion to federalism. Yet, in excluding Britain, De Gaulle, the ardent anti-integrationist, was able to pose as the defender of the community because there were those federalists who saw the justice in at least some of his arguments.

Moreover, while there is no question of the negative role France has frequently played vis-a-vis the three communities, a case can be made that it is France under De Gaulle which has provided much of the impulse behind the advance toward union--by contributing personnel of superior stature to the Brussels institutions, by pressing for agricultural integration and community planning, and by pushing for "practical" immediate steps toward political cooperation.

Given the vigor of De Gaulle's nationalistic language, it has been extremely difficult for the leaders of the European movement to credit him with any support--intentional or otherwise--of their

enterprise, and indeed it is a matter for legitimate debate as to what position he will finally take. There are those who believe that the conception of French-German "union" to which De Gaulle turned after his failure to obtain a six-nation treaty of cooperation represents the distilled essence of his European policy. While there were numerous rumors earlier this year that De Gaulle would follow up his exclusion of Britain from the Common Market with a renewed campaign for a political union, no such campaign has been launched. Now, some observers are saying that the references in his 29 July press conference to a possible "disappearance" of the Common Market are an indication that De Gaulle desires, or at least envisages, this end result.

With De Gaulle it is impossible to know, but on balance it seems most unlikely that he has abandoned his drive for a European union--that is, for one of Gaullist configuration. Rather, the French-German treaty appears to have been in the nature of a second choice--a tactical retreat for a later advance. His failure since last January to push for extension of the treaty appears to reflect an estimate that there was no chance for progress in the post-January atmosphere of mutual recriminations over Britain. His 29 July statements that 1963 "will be a decisive year for the future of a united Europe" suggest an expectation that the auspices are improving--in De Gaulle's words, "if in

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the heart of the world, the Six constitute, completely and truly, an economic community, it can be thought that they will turn to organizing themselves politically."

Prospects For a  
Political Confederation

Assuming it is De Gaulle's intention to renew his bid for a European confederation, it is ironical that the main obstacles to his achieving it are primarily French in origin.

When the political talks adjourned last year, agreement had been reached on the main features of a treaty of cooperation in foreign, military, and cultural affairs and the institutional arrangements to bring it about. Only two issues of substance were then outstanding-- a clause to assure that the political union would not impinge on the existing communities, and an article providing the possibility of a stronger union after a period of trial.

Although involving the principle of federation vs. confederation, neither of these issues seemed incapable of resolution at the time nor do they seem so now. Instead, the treaty really foundered on the fears of the Dutch and Belgians of domination by Paris. Lacking the assurances which a supranational union would provide against such domination, both insisted on the balancing participation of Britain-- an arrangement which De Gaulle said he could not countenance un-

til such time as Britain had become a Common Market member.

Rather than any question of approach or philosophy, it is this question--of the relative position of France vis-a-vis the other community countries--which almost certainly will again plague De Gaulle in any new bid for European union, and it is a question on which there is as yet no evidence that De Gaulle has found an acceptable reply. At his 29 July press conference, De Gaulle was asked: "Would France agree to support a development--on the political, military, and scientific plane--which in the Europe of tomorrow would keep the little countries from being as dependent in relation to France as Europe now is in relation to America?" He gave no response, except that the question involved "another series of hypotheses."

To the other community countries, however, these are not hypothetical questions. From its emergence, the six-nation community was an uneasy balance of power between the big powers and the small, the latter assuming not only a supranational evolution of the community, but its eventual enlargement as well. Not only have these expectations not been fulfilled, but the internal situation within the community has materially changed since 1958.

The economically weak and politically divided France has

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become--for the present at least--both politically and economically strong. By almost any standard, De Gaulle--literally and figuratively--is head and shoulders over any other European leader and the only really commanding figure now on the European stage. To a very important extent, the Brussels bureaucracy is dominated by the expertise of the postwar crop of French technicians. And finally, in the latter years of the Adenauer regime, Bonn has become not a balance or even a rival to Paris, but in some respects a junior partner.

The result is that with the bonds of economic integration progressively reducing the chances of escape, the other member countries see themselves becoming--not so much the willing participants in a community enterprise--but the potential provinces of an imperial France, a status they reject. This is not to suggest that there is no basis for an eventual compromise. The European community movement is of French inspiration, and most Europeans find it impossible to conceive of its fruition without a leading role for France.

#### France, Europe, and the US

In midsummer 1963 the effort since World War II to find

a more rational economic and political structure for Western Europe appears, then, to have come to another watershed. Union cannot proceed without France, and the only European leader now in sight who might bring about the early addition of political ties to the economic ones of the EEC is De Gaulle. In order to proceed, however, De Gaulle would appear to be under a necessity to offer his partners more convincing assurances than he yet has that a "European Europe" would not be merely a larger France, that it would be a "collective" and not a "singular," and that its institutions would be as binding on Paris as on any other of the capitals.

De Gaulle must also find some more generally acceptable statement of the world position that Europe so organized would occupy. Somewhat to their surprise, the Six have discovered in the past five years the extent to which the process of effecting an economic union involves external economic interests--their own and those of others--and the extent to which these interests are by no means identical. Relatively self-contained France, for instance, has felt no imperative economic need to reach an economic accommodation with the rest of Europe, nor has it the same degree of interest as the other EEC countries in successful completion of the Kennedy Round of tariff cuts.

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Since De Gaulle first proposed a European confederation, the Six have also been painfully discovering that the same sort of considerations apply to political and military cooperation. They cannot accept closer bands with Paris without at the same time adjusting their political and military ties to their other European allies and, above all, to London and Washington. Inevitably they see these ties in different lights because they do not have identical foreign policy objectives or the same security problems.

In light of the developments of the past two years, it is reasonably certain there is not now a majority for De Gaulle's concept of an economically autarchic Europe which excluded "the Anglo-Saxons" politically. However, in view of all the possibilities on the horizon, it would be very risky to assume this negative major-

ity will hold indefinitely. In both Bonn and Rome, where new governments will emerge this fall, there is by no means a single view of De Gaulle, nor is it possible to say for sure what impact on Europe a new government in London may have. Moreover, the attitude of the anti-Gaullist would probably be affected by any easing of US-French frictions--and even more by an East-West detente.

In any case, it must be expected that the complex problems which the restructuring of Europe has posed the US in the past year will be even more complex in the next few months. The cost to the US of a united Europe--in terms of the commercial, military, and political adjustments it has required--has already proved high. Revival of intra-European conflicts of the prewar type would be infinitely more costly to US interests. (SECRET NO FOREIGN DISSEM)

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