

27th February, 1951.

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I wrote to you about a month ago before we met with Trevelyan, in the attempt to clarify the increasingly close inter-relation between the Schuman Plan negotiations and the discussions in Germany about the reorganisation of the German coal, iron and steel industries under Allied High Commission Law No.27. Since then a good deal has happened, and there have been a large number of reports (not always very illuminating) in the British and the German press. It may therefore be useful to you and to others both here and at posts abroad who have an interest in the Schuman Plan negotiations if I attempt to sum up the present situation as we see it, and in rather more detail than is possible in the "Intel" which is now being despatched to all posts abroad.

2. The point now outstanding, which was not so clear at the end of January, is the role that is being played by the Americans both in Paris and in Germany. In Paris they seem to have intervened in the Schuman Plan negotiations in order to ensure that their own doctrinaire ideas about decartelisation are effectively enshrined in the draft treaty. In Germany they have conducted a long series of unilateral conversations with the Federal Chancellor about the implementation of the crucial points in Law 27 (they have however made it clear that these talks are preliminary, in the sense that the issues are all for tripartite decision within the High Commission). In the meantime Col. Byroade has been impressing both on the Germans and on ourselves the importance of bringing the Schuman Plan negotiations to a speedy conclusion (with the implication that this could only be done by backing the American line on the main points in dispute). Finally by way of light relief Judge Robert Patterson, a former chief of Mr. McCloy, has chosen this moment to appear in Germany in order to brief the German industrialists on how to challenge or evade Allied High Commission Law No.27, and has declared this law to be "contrary to human rights". His intervention is not taken very seriously by the Allies in Germany, but it will of course be exploited by the Germans.

3. The net result of all this American action has probably been to delay the conclusion of the Schuman Plan negotiations to which they officially attach such importance. When I last wrote in January, the question of "combined ownership" (the ownership by steel companies of coal assets) was the main controversial point. The French and ourselves were against any extensive system of combined ownership, the Germans including industrialists and trade unionists were insisting on it, and the Americans who had previously tended towards the German point of view seemed to have gone into reverse. They have now swung back again towards the German point of view, and are probably dragging the French along with them towards an arrangement

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whereby the German steel companies should be allowed to own sufficient coal mines to provide a total figure of 75% of their own-coking coal requirements. This is still not enough for the German industrialists, and the German trade unionists insist on a particular form of ownership, whereby the coal and steel companies would retain their independent existence under the control of a holding company which would have considerable powers in the field of general economic policy and management. Our own High Commissioner will stick to the line that the requirements of each steel company must be examined individually, and that it is not reasonable to start from any general premise such as that the steel industry ought to own 75% or 80% of its coking coal requirements. There are in fact considerable differences of opinion still, but these are probably reconcilable.

4. The question of the German coal sales organisation (D.K.V.), which I only mentioned rather incidentally in my previous letter has now attained the position of obstacle No.1. The Germans are unanimously in favour of retaining this organisation, and maintain that the viability of the smaller mines will be seriously affected as well as the prospect of European consumers getting what they want, if the D.K.V. is dissolved. The French would all along have liked to see it broken up, but I doubt whether they would have let the question stand indefinitely in the way of a conclusion to the Schuman Plan negotiations. French resistance has however been stimulated to an extreme point by American pressure in Paris, and it is on this point particularly that the malign influence of Professor Bowie, the mad mullah of decartelisation, is most apparent. We are put in a very difficult position. On the merits of the case we would probably back the German point of view in the High Commission, but we do not want to be accused of sabotaging the Schuman Plan negotiations. It seems possible that the German Federal Chancellor will himself agree to a plan for the "staged liquidation" of D.K.V., in order to facilitate the negotiations. If he does so however there will be an outcry from industrialists and trade unionists alike, and it is even more doubtful than before whether any treaty embodying the Schuman Plan would be ratified by the Federal Parliament.

5. In the meantime certain new difficulties have arisen on the German side. I am not sure how serious they are and how far they have been raised at this stage as bargaining points. The Chancellor may well feel that if he is forced into concessions on the D.K.V. and on combined ownership, he must have some corresponding gains to show to the Federal Parliament. The more concrete of these additional obstacles is the demand for some kind of assurance about the abolition or fading out of the International Authority for the Ruhr when the Schuman Plan treaty comes into effect. This demand has been intensified by the recent activities of the Ruhr Authority in allowing a far larger proportion of German coal production for export than the Germans (or indeed ourselves) have thought reasonable. If the treaty is signed and if there is reasonable assurance that the High Authority will start to function effectively, I doubt whether even the French would fight long and hard for the

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prolonged and active existence of the Ruhr Authority. The latter however is a very considerable condition, and the existence of the Ruhr Authority is an uncomfortable fact which the French themselves may use as a bargaining point; i.e. until the Federal Chancellor comes to heel on the Schuman Plan, they may continue to take a particularly aggressive line in the Ruhr Authority. The Chancellor himself must reckon that without some fairly positive assurance about the future of the Ruhr authority the Federal Parliament is likely to be extremely sticky about any Schuman Plan treaty.

6. The other objection which is now being raised by the Germans against the Schuman Plan treaty in its present form is a more general one, to the effect that M. Monnet's dirigisme has run away with him and that the proposed High Authority is far too much centralised. I heard this criticism from certain prominent industrialists when I was recently in Germany, and their solution would be to revive as far as possible the original conception of regional associations which should do most of the work subject to very general direction and co-ordination by the High Authority. This conception would give obvious scope to the industrialists of the Ruhr, and would make the continuance of such organisations as D.K.V. almost unavoidable. I enclose a summary of an interesting article which appeared on 26th February in the Düsseldorf Handelsblatt. This expresses comparatively concisely the more general and theoretic objections of the German industrialists to the present conception of the draft treaty. The importance of these objections will probably be seen not so much at the present stage of negotiations as when the treaty (if ever) comes to be ratified in the Federal Parliament.

7. I am sending copies of this letter to the other members of the Working Party and to O'Neill (Wahnerheide) Carran (The Hague) Haigh (Brussels) Dean (Rome) Hood and Brayne (Paris), Warner (Düsseldorf) Oxborrow (Wahnerheide).

Yours ever,

A.D. Wilson.