

EUROPEAN TARIFF UNION
A NECESSITY

“EUROPE must federate or perish,” Clement Attlee, now Prime Minister of Great Britain, warned a conference of Labor Members of Parliament on November 8, 1939, in the third month of the war that has nearly wrecked England’s economy. Nearly seven years later, his predecessor as Prime Minister, Winston Churchill, speaking at the University of Zurich on “the tragedy of Europe,” declared that there was “a sovereign remedy” for the “sullen despair” of the vanquished of the war, and a ground for hope for the victors. “It is,” he said, “to recreate the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and freedom. We must build a kind of United States of Europe. . . . If Europe were once united,” he insisted, “in the sharing of its common inheritance, there would be no limit to the happiness, the prosperity and the glory which its three hundred million or five hundred million people would enjoy. . . .” In addition, he voiced his satisfaction that President Truman had expressed his interest and sympathy “with this great design.”

A few days later, on accepting the freedom of the city of Blackpool, Mr. Churchill solemnly pledged himself to give “any years left of my remaining life and strength” to championing the ideal of the United States of Europe. Referring to the renunciation by the United States of its isolationism, and its readiness to share the task of guarding the peace of the world, he added: “Why should we leave all the burden

to the United States? Why should we not also have a United States of Europe? Why should this Continent be a torn and mangled victim dependent upon other Continents ?” Unfortunately, Mr. Churchill blundered in not including Russia among his United States of Europe. What is worse, although Mr. Attlee now heads the British nation he has lifted not one finger to advance this proposal. If European perdition could be averted thus, as he said in 1939, then he is a very recalcitrant saviour. Nor can the present impasse in Allied relations because of Russia’s attitudes be given as any excuse, for Mr. Churchill is correct in stating that this is the hour to begin federation—“now.” He even went so far as to urge “a partnership between France and Germany” as the best road to “a spiritually great France and a spiritually great Germany.” Unfortunately neither statesman has described adequately the enormous economic advantages which would accrue from such a union, nor pointed out that, if a beginning were made with a customs union, political ties would follow as a matter of course, perhaps spontaneously.

Fortunately two events give the greatest hope that at last the long awaited tariff alliance of the European nations is in sight. First there came the spontaneous organization of “Benelux”—the tripartite union of Belgium, the Netherlands and Luxembourg for purely economic purposes, a most excellent example for all Europe to follow. This was born of the determination of these countries to save themselves if that was in any way possible and because of their intense antagonism to the policies of the Big Four among the Allies and especially the refusal of England and the United States to permit them to re-establish their trade relations with Germany. They were not, like the Americans and British, obsessed with hatred of the Germans—at least not to the extent that they wished to be cut off from the powerhouse

of Europe, with which they had done a most satisfactory trade since the Middle Ages, to which they turned for expert aid, for iron and steel and electrical and agricultural products, not readily to be obtained elsewhere. But their official protests against the closing of the Rhine to their steamers and lighters met with no response. Hence their determination to unite to present as strong a front as possible.

This example and a desire to take a course of action which they felt would please the United States and aid them in presenting a workable Marshall plan to Washington, led the nations called together for that purpose to propose a European customs union. At this writing the situation is not crystallized but it can be said that this action, if put through at once, would be one of the greatest events in European history, of far greater value than the receipt of some billions of dollars from the United States. This country could ask no greater proof of a genuine European desire to help itself and to lift itself upwards by its own constructive efforts than this proposal which, if adopted, will certainly be cited as proof that World War II was not a complete failure. It will be the more welcome because Franklin Roosevelt and his State Department never saw the importance and necessity of European economic unity which President Truman and Secretary Marshall may now sense. Immediately after the latter's Harvard speech formulating his "plan," the London *Economist* urged a full customs union for Western Europe coupled with economic and political institutions to become "something like a United States." As *Life* has stated editorially, federation should have two dominant appeals for Europe. It should first of all make impossible German preponderance on the Continent and, secondly, should give all Europe the economic strength to rank with Russia and the United States. It must be added that European unity was one of the aims of the heroic German anti-Nazi underground

which gave more lives for freedom than any similar movement.

Let no reader believe that this proposal is something novel. For generations a tariff union of part or all of Europe has been planned, championed, agreed to—and still has not come to pass. Political rivalries and needless wars have prevented the coming of an economic alliance which nature plainly intended by the geographical distribution of its oil fields, iron and coal mines, and the industrial advantages of the Ruhr. But never has the need for union more clearly presented itself than today, with Germany ruined, France sorely reduced in economic strength and manpower (so much so that its Prime Minister has urged the Big Four nations to expel millions of Germans from Germany to settle in France!) while Italy verges on chaos and Communism threatens from the East. The one question is whether the Allies under English leadership will espouse the cause of unity, the United States understand the need, Russia cooperate and the new hatreds be laid aside.¹

This is the problem. "Putting it into execution is entirely a political matter, and only very unusual intelligence on the part of the heads of governments, or very great calamities, will be able to set aside the national obstacles that stand in the way of such a plan"—thus wrote, in the eighteen-nineties, Alexander von Peez, an Austrian economist, of a proposed customs union between Germany and Austria. As always, the "very unusual intelligence" was not to be found among the statesmen of the time, but a very great calamity, the First World War, did come to pass to create a widespread demand for a genuine political and customs union of the two countries. Finally, in 1931, the two nations adopted

¹As to the last stumbling block Mr. Churchill said at Zurich that after the guilty Germans were punished and Germany was made powerless to make war "then there must be an end to retribution."

such a union, really necessitated then by the Allied reduction of Austria by the Treaty of St. Germain to a mere economic enclave, with no hinterland to keep it alive. Although heartily approved by large sections of the American and British press as obviously sound and economically greatly needed, the union was taken to the Hague Court and there disposed of as contrary to the crumbling Treaty of Versailles.

How laggard the statesmen of the last century were in appreciating the possibilities for trade and for maintaining the peace of Europe which a customs union offered, is indicated by the absence in the English edition of Bismarck's autobiography of a single reference to tariffs, much less to a customs union. He, above all men, in his efforts to recreate a German Reich, failed to realize the close alliance between economic and political relations, although he must have known that he could not have achieved German unity at Versailles in 1871 if it had not been for the founding in 1834 of the North German Customs Union and the subsequent removal of customs barriers between the big and little German principalities.² Indeed, on December 9, 1877, when the question of a renewal of the commercial treaty with Austria was at the fore, Bismarck cynically wrote that "three-quarters of the previous negotiations for a customs union consisted of maltreating the weaker ones." If tariffs interested him at all, it was only as diplomatic weapons.

Nonetheless, the idea of a customs union never lapsed. The world has witnessed three efforts to bring about European unity by force; the first, that of the great Napoleon, the second, a feeble one, by his relative, the third Napoleon, and the last by Adolf Hitler. The dream of a united Europe re-

²In 1708-09 travellers from the Palatinate to Rotterdam or Amsterdam needed four to six weeks for the trip because they were halted at no less than thirty-six customs houses!

mained with Napoleon I until the end. For his son he left this message: "My son must be the man of the new ideas and of that cause for which I have everywhere prepared a triumph; he must everywhere promote new ideas which will destroy the last traces of feudalism, which will assure the dignity of man and develop those seeds of prosperity which have been sleeping for centuries he must unite Europe *by indissoluble federal ties*; he must propagate Christianity and civilization in all parts of the world which are still wild and barbarian; that must be the aim of all my son's thoughts, and that is the cause for which I die a martyr." There were in Europe, he said, thirty million Frenchmen, fifteen million Spaniards, fifteen million Italians and thirty million Germans, and as to them he added: "I would have wished to see each of these nations re-formed into a corporate national body with this essential condition fulfilled, nothing would have been easier than everywhere to assimilate laws, principles, opinions, feelings, standpoints and interests."³ Napoleon III was a weak man and a tinsel emperor, so that his hope of dominating Europe collapsed in the battle of Sedan, while Hitler fell before a new Holy Alliance including the America he despised. But no unification due to the dominance of one State could possibly have survived.

Unofficial efforts to bring about economic cohesion have never failed to offer unanswerable arguments for their cause—if only because of the need for "the reshaping and better implementation of traditional economic methods and procedures."⁴ In 1922 Count Coudenhove-Kalergi founded

³Napoleon also said: "The nations of Europe have every reason to put an end to wars and to bind themselves together in a union. Europe is only a province of the world and every war between Europeans is a civil war." Count Coudenhove-Kalergi believes that if Napoleon had won at Leipzig Europe would in all probability be a federation today. The italics used in the above quotation from Napoleon's message to his son are the author's.

⁴Adolf B. Drucker, *Regionalism and World Organization* (Washington: American Council on Public Affairs, 1944).

the Pan-European movement in Vienna with the Count as its president. It won the immediate support of distinguished Englishmen, of Gustav Stresemann in Germany and of Edouard Herriot in France, and of many other adherents. Indeed, Herriot went so far as to say: "If I have devoted my energy with so much courage—I think I am justified in saying this—to the League of Nations, I have done so because in this great institution I have seen the first rough draft of the United States of Europe." He could have gone back as far as 1849 to quote another Frenchman, Victor Hugo, who prophesied then that out of the twentieth century would issue "first the United States of Europe, then the United States of the World." Further precedent was afforded by another Frenchman, Count Leusse, who demanded "peace by a tariff union between France and Germany."

But the Frenchman who gave pressing importance to the Pan-European movement was Aristide Briand when Foreign Minister during 1929-30 in the Cabinet of Premier Tardieu. Briand was inspired by the most earnest desire to end the historic enmity of France and Germany which had led to their repeated ravaging of each other's territory. It is true that Briand's demand on September 5, 1929, for "some sort of federal bond" among the peoples of Europe was at that moment actuated by a dread of the rising economic power of the United States and the threat to Europe of the increased tariff proposals embodied in the vicious Hawley-Smoot measure then before Congress. Briand called for a coming together of the European economic systems, a tariff policy to establish a common market in order to raise to a maximum the level of well-being over all the territories of the European community, and the rational organization of pro-

⁵It is said that the words, "United States of Europe," were first used by Edward Everett Hale in the Boston magazine *Old and New* (March, 1871), at the conclusion of the Franco-Prussian War, but this is obviously erroneous.

duction and exchanges, reserving only the needs of national defense. In his memorandum to the European governments of May 17, 1930, Briand declared that "it is on the basis of absolute sovereignty and of entire political independence that the understanding between European nations should be effected." No less than twenty-seven European governments agreed with his aims, but disagreed as to the methods of achieving them.

Strangely enough, the Italian answer to the Briand proposal for a United States of Europe was that the true basis for such a reorganization of Europe should not be security but disarmament—an astounding position for Benito Mussolini to take. The Italians also stated that they favored no organization which would overlap the League of Nations or interfere with its wiping out the last remaining demarcation between victors and vanquished, besides insisting that the Soviets and Turkey be included in the proposed league, that there must be equal representation of every State in a single council with all on an absolute equality and that the new league should be based "on the idea of union and not of unity." This was truly enlightened statesmanship.⁸ The most discordant note came, amazingly enough, from the Labor Government of Ramsay MacDonald in England which replied unfavorably to the Briand proposal for a conference of nations on the ground that it might injure in some way the League of Nations, instead of promising to meet with other nations to explore the whole proposal and to see what might be accomplished. On the other hand, the German response was admirable, and its assertion that "military points of view must not be placed in the foreground of the discussion of economic problems," is a surprising comment from Berlin where the Chancellor at that time was Dr. Heinrich Brüning.

⁸See *The Nation*, New York, July 16, 1930, p. 53.

The most serious criticism of the Briand plan was that it assumed the continuance of all the arrangements of the Versailles Treaty, despite the growing dissatisfaction with it throughout a good part of Europe and the increasing proof of the folly of the reparations clauses. In September, 1930, the Briand plan was debated by the League of Nations with the result that Great Britain insisted that a committee report submitted by Briand be taken out of his hands and placed in those of the League. A League Commission of Enquiry was instituted and held its first meeting on September 23. It made no progress within the political sphere and drifted into a study of the world economic crisis then nearing its highest point. Briand died March 7, 1932, and was succeeded by Herriot as President of the Enquiry Commission, but it never met after October, 1932 and thus the plan which might, perhaps, have helped to save Europe from the Second World War, died aborning. Among the reasons for the failure, in addition to the MacDonald sabotage, was that in 1932 von Papen became Chancellor of Germany, paving the way for Hitler, and the Saar plebiscite and the question of evacuation of the Rhineland became disturbing factors. The plan was also regarded with suspicion as being not only a device for maintaining the *status quo*, but, as Sir Arthur Salter noted at the time, as inviting trouble with the United States because of the avowed determination to put on high tariffs in opposition to those of the Hawley-Smoot law. The hostile reaction in March, 1931 to the Austro-German customs union agreement also unfavorably affected the Briand proposal.

That there was, nonetheless, a strong desire for checking the growth of European tariffs at the time the Briand plan was brought forward appears from a Commercial Convention passed by the League of Nations at its session of February 17 to March 24, 1930. The first article of this

stated that: "The high contracting parties undertake not to avail themselves before April 1, 1931 of the right to denounce the bilateral commercial treaties which any of them has concluded with any other of the high contracting parties and which are in force on this day's date." This convention was open for signature from the first of April, 1930, until the fifteenth. Only thirteen states ratified, while five signed it, and, like so many other actions of the League which promised much, it never came into effect. By September, 1930, William Graham, the president of the British Board of Trade, warned the League that Great Britain might withdraw from the agreement not to raise tariffs if nothing definite was done by the following February. Nothing was done, just as nothing was done with the Briand plan. The dead hand of this worthless League rested upon both proposals, thus helping to clear the road for the mass slaughter of 1939-1945.

It is worth noting here that Coudenhove-Kalergi says in his "Pan-Europe" that the weakness of the League of Nations was ". . . instead of organically grouping the peoples and States of the world according to their economic, cultural and geographical affinities, it joins together mechanically, like bricks, large and small States, Asiatic and European, neighboring and distant, without regard to geography, history, culture, or economics." He also attacked the League because of "its abstract structure . . . producing no response in the sentimental life of mankind. . . . It overleaps the Pan-American as well as the Pan-European organizations. Desiring to be all, it is nothing." His own proposal for a federation excluded Britain and Russia, the former because its world-wide interests would make, he thought, for lack of cohesion, and Russia because he dreaded it even then, and thought that it, in itself, was a compelling reason for European union—this well before the Second

World War! If Europe were united, he felt, it could reach a political and economic understanding with Russia. Another reason for excluding Britain was his belief that it would "become the mediator" between the European and American continents without belonging politically to either.

Fear of antagonizing Russia will probably prevent the United Nations from grappling with tariff problems in and out of Europe as rapidly as they should. The very fact, however, that England and the United States have had to merge their German zones economically, and that they are most eager to bring the whole of Germany under one economic regime, ought to convince them of the far greater benefit which would arise if the whole of the Continent were, as Mr. Churchill urges, willing to take this vital step to achieve the happiness and prosperity their governments have denied to the masses of all Europe. The greater the need for Western Europe to strengthen itself against Russia, the greater will be the reasons for proceeding promptly to a regional federation, with, it must be repeated, Russia included if it will take its place as a co-operating and responsible member of the federation. As Mr. Drucker has pointed out, tariff union would not mean that Europe would immediately become self-sufficient. He thinks that it would still have to purchase 46 per cent of its material requirements from outside Europe and send 36 per cent of its exports overseas or to Russia. It may well be questioned, however, whether these figures are not too high if union should take place and world-wide measures initiated by the United States and the UN should result in uplifting the standard of living and therefore the purchasing power of the European nations, many of which have lacked numerous products and consumer goods which in Western countries have been considered absolutely essential to the welfare and the happiness of the people.

Who can doubt that a European union would be the greatest single step that could be taken by Europe toward international peace after participation in the UN, especially if the latter, unlike its predecessor, should prove to be a militant apostle of disarmament and insist upon the submission of international disputes to the International Court? One vital new development has now come upon the scene, and that is the entry of the United States into continental affairs. If it continues to extend unlimited aid to the starving and suffering and makes loans in one form or another to countries in need, especially in line with the Truman move into Greece and Turkey, it ought, surely, to have a voice as to the future economic development of Europe, and notably as to its tariff policy. Indeed, if the United States sets a fine example by continuing to reduce its own tariffs, that will, in itself, help to hold European tariffs in bounds. It would certainly eliminate any further fear of the United States as a tariff enemy, if such thought remains from the days of Briand.

After all, however, the emancipation of Europe from what has been called its "nationalistic hysteria" into economic rationalism must come from within herself. That depends upon the readiness with which the bitter hatreds engendered by the Nazis and by the Second World War can be assuaged so that all concerned will see, as Mr. Churchill has suggested, that the dead past must be buried, the slate wiped clean, the indefensible Potsdam dismemberment and degradation of Germany ended, and a new movement for a peaceful and restored Europe, through unity, inaugurated. The first and most important step remains the removal of tariffs and freedom for all trade.