

“EXPLAINING BRITISH POLICY TOWARDS EUROPEAN INTEGRATION IN THE 1950s”

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Paper presented to the European Integration and Domestic Policy-making Research Group, Centre for European Studies, Harvard University, 9 May 1995, and to the Fourth Biennial International Conference of the European Community Studies Association, Charleston, South Carolina, 11 May 1995.

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INTRODUCTION

With the collapse of the Maudling negotiations at the Chateau de la Muette in Paris in December 1958, Britain was forced into an unprecedented re-evaluation of its policy towards western European integration. With seemingly more than some exaggeration, the British Prime Minister, Harold Macmillan, suggested that history would regard the French intention to sever negotiations for a European Free Trade Area as "a tragic decision and the crowning folly of the twentieth century in Europe".¹ Perhaps, however, Macmillan had realised the grand significance of the moment. The failure of the Maudling negotiations combined with the dissolution of the European Payments Union (EPU) after the re-establishment of sterling convertibility (also in December 1958), created a significant change in Britain's post-war international relations. In western Europe, the dominance of the European Economic Community (EEC) and the transition to the European Monetary Agreement (EMA) transformed Britain's political and economic position. The Organisation for European Economic Co-operation (OEEC), the preferred intergovernmental institution for co-operation, with its concomitant significance in terms of trade liberalisation, was all but dead. The EMA and sterling convertibility revolutionised Britain's external economic relations and policies, both in Europe, in the dollar area and in the sterling area. From his viewpoint, therefore, Macmillan's statement may have been no exaggeration whatsoever.

Recently, Alan Milward has argued that diplomatic historians have failed in their analysis of the formation and growth of the EEC and suggests that a new theoretical framework for the process of western European integration is necessary.² This paper responds to Milward's views. There is absolutely no question that Milward's analysis of Britain's economic policies towards western European integration in the 1950s is seminal.³ However, the vacuum in Milward's work is his disregard for more traditional diplomatic accounts of Britain's attitudes towards western European integration in the 1950s, which stress the importance of wider foreign policy considerations. When read in parallel, the economic and diplomatic histories move towards a more comprehensive understanding of British policy. The first aim of this paper is to analyse the dichotomy in the historiography of British policy from 1950 to 1955.

The nature of London's western European integration policy from 1955 to 1958 has received much less detailed archival attention.⁴ What has been learnt from the development of the historiography of

Britain's relations with western Europe up until 1955 is that historians are dealing with a complex set of policy frameworks and decisions. There are both economic and diplomatic determinants, not to mention wider considerations such as defence policy. To meet the requirements Milward has suggested are crucial to a new understanding of the dynamics of western European integration, historians need to provide an overarching analysis of British policy from 1955 to 1958. This should include both economic and diplomatic investigation. Only by taking such a comprehensive view of British policy will it be possible to reach a platform from which historians can satisfy themselves and make contributions to other disciplines also interested in the process of post-war western European integration. The second aim of this paper, therefore, is to employ ongoing research in British archives to show what recently released governmental documentation reveals about the nature of British policy in the latter half of the 1950s. Do the conclusions of economic and diplomatic historians of British policy in the first half of the 1950s have relevance to the second, especially when it is considered that the European Free Trade Area proposal represented, to an extent, a new direction in British attitudes? The paper will be framed in two main sections. The first is a review of the historiography of policy in the period 1950 to 1955, culminating in an attempt to synthesise the economic and diplomatic accounts. The second section of the paper deals with the two periods of re-evaluation in British policy in the latter half of the 1950s: 1955/57, which created the European Free Trade Area proposal, and 1958/59, which led to the eventual British application for membership of the EEC in 1961. Finally, an attempt will be made to identify themes which traverse the 1950s as a whole, linking the historiography of the first period with the new archival research of the second.

DIFFERENT INTERPRETATIONS OF BRITISH POLICY TOWARDS WESTERN EUROPEAN INTEGRATION, 1950 TO 1955

In the final analysis, economic and diplomatic historians reach a very similar conclusion about British policy towards western European integration in the first half of the 1950s. Through its failures, Britain became "in reality ... only what Bevin had denied it to be, 'just another European country'".⁵ However, these historians choose very different events and follow divergent analytical paths to reach their parallel judgement. Economic historians concentrate on British external economic policy in relation to western Europe, highlighting attitudes towards the EPU, the development of plans for convertibility and the goal of re-establishing the international role of sterling as an exchange currency. Conversely, diplomatic historians focus their analysis on British attitudes towards the European Coal and Steel Community (ECSC), the European Defence Community (EDC) and the Western European Union (WEU). Their priority has been to explain, in foreign policy terms, why Britain remained detached from continental integration. Importance is placed on Britain's extra-European relations which acted as a barrier to more purposeful involvement in European co-operation. The work of Alan Milward on the one hand, and John Young and the late Roger Bullen on the other, are the most representative of the two schools.⁶

Milward frames his analysis with the simple but vital question, "Given the apparent similarity of political developments in the United Kingdom to those elsewhere in western Europe the question arises, why did the United Kingdom play so small and distant a role in the historical processes [of post-war western European integration]?"⁷ Suspending the possibility of criticising the contention that Britain had followed similar political developments to western Europe for a moment, it is possible to admit that Milward's response to his own question is very convincing. From a detailed multi-archival study, Milward argues that Britain's post-war tradition in external economic policy was crucially different to that of its western European partners. Whereas the latter placed emphasis on the development of commercial economic policies, Britain pursued a reactionary financial economic goal of re-establishing the former glory of sterling as an international currency via sterling-dollar convertibility; "The pound, once good as gold, would now be as good as dollars".⁸ Thus it was financial policy which was the true motor of Britain's attitudes towards western European integration. London had no desire to play a role equal to that of its European partners in new, possibly supranational European institutions because of its greater aims of creating a 'one-world economic system' in which sterling would be second to the dollar as an international currency.

This fundamental policy was revealed in Britain's attitudes towards the European Payments Union and in the development of a secret economic plan in 1951, titled Operation ROBOT. The EPU was a central clearing mechanism for trade settlements between OEEC members in which they agreed within defined limits to make their currencies transferable for trade purposes. In the Europe of the Marshall Plan, the American government supported the EPU as a means of achieving multilateralism and promoting a further stage of European unity, two central aims in Washington's western European policies. Sustaining his argument that the convertibility of sterling was paramount for London, Milward explains Britain's reluctance to play a full role in the EPU and uses the example of Operation ROBOT as evidence of Britain's extra-European economic aims.⁹ As the new Conservative Government took office in London in 1951, officials from the Bank of England and some from the Treasury proposed a radical plan for the convertibility of all externally held sterling, and for the pound to float against other currencies. Milward sees ROBOT, which was ultimately still-born, as an example of Britain's reluctance to submerge itself in a European payments system and as an attempt to elevate British economic power via the strength of sterling. Moreover, it was reflective of Britain's disregard for relations with its western European partners. If ROBOT had been enacted, it would have had a detrimental effect on the EPU and would have been damaging to the economies of its members, but as Milward says, this was nothing more than a subsidiary consideration in London.¹⁰ The same disregard for her western European partners, developing into a misunderstanding of their aims, was at the basis of Britain's external economic policy from 1952 until the re-establishment of convertibility in 1958. The 'Collective Approach' to freer trade and payments was no longer a plan for sterling-dollar convertibility alone, but also for the other major currencies to establish dollar convertibility at the same time as sterling.¹¹ Commonwealth, North American and European countries would steer a course towards the successful accomplishment of convertibility and multilateralism in trade. The limitations of this policy was its reliance on American financial support and the belief that western European countries would be willing to forfeit their preferred course of expanding intra-Western-European trade for an early move to convertibility. Milward argues that the negative reaction of western European countries to Britain's 'Collective Approach' represents the gulf between their view of European economic co-operation and Britain's view. Furthermore, the 'Collective Approach' was inimical to closer western European integration and as such fell foul of American policy aims. Milward suggests that by 1955 Britain was left isolated in a Europe of nation-states pursuing integration policies through the expansion of intra-Western-European trade under the protection of encouragement from Washington. Playing down what diplomatic historians see as a British triumph, Milward minimises the affect of the EDC's failure in 1954 by suggesting that it intensified efforts to guarantee intra-Western-European trade through the formalised institution of a customs union.¹² In summary, therefore, the thrust of Milward's argument identifies Britain's non-involvement in western European integration in the first half of the 1950s as being due to the contradiction between this process and London's sterling policy. The seam that ran through ROBOT, the 'Collective Approach' and the quest for convertibility was the predominance of financial policy, a disregard for the trade and payments policies of Britain's European partners and a misreading of the intensity of American support for the Six powers.

It is accepted by diplomatic historians that British policy towards western European integration from mid-1950 to 1955 was remarkably consistent.¹³ Young has described the nature of the policy as being one of benevolence towards, but non-involvement in supranational European schemes, seeking to associate with them where possible, whilst maintaining Britain's role in institutions such as the OEEC. The motives for this attitude were extra-European. Successive British governments saw Atlantic and Commonwealth rather than European co-operation as the most efficacious form of international relations. British policy towards Europe was part of a greater global strategy of what Bullen describes as "a declining power anxious to shore up and protect both specific interests overseas, its own prestige and traditions of leadership in Europe and elsewhere".¹⁴ The preservation and defence of Britain's status as a world power was incompatible with membership of a supranational European community. This did not, however, lead Britain into a hostile approach to her western European partners' desire for integration in the first half of the 1950s. Diplomatic historians take a relatively sympathetic view of British attitudes.¹⁵

Britain was forced into recognising her western European partners as a cohesive 'Six' for the first time in June 1950 during the negotiations for a European Coal and Steel Community. British foreign policy foundations, diplomatic historians suggest, separated Britain from the Six from the outset. Apart from

the vital implication of forfeiting sovereignty over two of the most politically sensitive sectors of the economy, the British government maintained a preference for the intergovernmental co-operation of the OEEC as opposed to idealistic schemes for a European federation. In a wider political sense, Britain's priorities were relations with the Commonwealth and the United States; factors which would remain sacrosanct throughout the 1950s. Also, Britain followed a different pattern of commercial relations than her European neighbours.¹⁶

Another tenet of Britain's consistent policy towards western European integration developed from 1950/51: the desire to associate with the Six rather than join their schemes. This was at the base of the 'Eden Plan' in 1952 to reform the Council of Europe, and the official policy London pursued towards the Six's plans for a European Defence Community from 1950 to 1954.¹⁷ It emerged most significantly in the Council of Association between Britain and the ECSC signed in December 1954.¹⁸ In response to this constant factor in British policy, the Six also developed a continuum in their approach to London. Although diplomatic historians argue that Britain was not 'anti-European' from 1950 to 1955, they qualify their view with the vital caveat that some members of the Six were not always convinced of Britain's sincerity. Association had always held the implication that Britain would obtain certain advantages without significantly adding to her obligations.¹⁹ At best, British plans for association would always therefore be received with cautious appraisal. At worst, as with Monnet's view of the Eden Plan, there was a suspicion of British motives mixed with a fear that London's ultimate goal was to sabotage the Six's efforts towards federal integration.

The failure of the French National Assembly to ratify the EDC Treaty in August 1954 and the consequent British proposal to transform the Brussels Treaty Organisation into the Western European Union is viewed by diplomatic historians as a triumph for Anthony Eden and British policy towards western European integration. Bullen goes so far as to suggest that if it had not been for the WEU, the second phase of the integrationist movement, culminating in the Treaty of Rome, would not have been possible. Young, arguing from Whitehall's viewpoint, explains that the failure of the EDC had vindicated London's policy of the previous five years; supranationalism had succeeded in the economic field of the ECSC but not in the political/defence field.²⁰ Prior to the Messina Conference, therefore, diplomatic historians classify the origins of British policy towards western European integration as a desire to remain divorced from supranational schemes, to maintain traditional political and economic links with the Commonwealth and the United States, and to resolve European security problems in an Atlantic framework. Hence the benevolent yet non-involved policy towards the ECSC and plans for a European Army, and in extension, the desire to associate with these arrangements whenever possible.

Thus, at the risk of simplifying their complex arguments, an overview of the two schools of British policy towards western European integration in the first half of the 1950s has been produced. What is necessary in a comprehensive analysis of that policy is a combined examination of the economic and diplomatic accounts. Justice cannot of course be done to such a task in this paper, but some speculative suggestions can be offered.

It is not enough to explain British policy purely in terms of London's financial goals. Similarly, to overlook the importance of sterling and concentrate on diplomatic considerations is to neglect a vital part of the equation of British policy. Surely the balanced analysis would integrate the varied arguments to reach the common conclusion that Britain was left, through its own policy choices, overpowered by the Six on the periphery of Europe by the end of the 1950s.

The bias of the final analysis will depend very much on the inference the historian brings to the subject. The policy staked out by the Foreign Office in the early 1950s can be read as either an economic or a diplomatic priority: "Great Britain must be regarded as a world power of the second rank and not merely as a unit in a federated Europe".²¹ Maintaining "power of the second rank" could have been achieved through the international prestige of dollar-sterling convertibility, or by fostering closer Anglo-American political/defence links whilst sustaining traditional ties with the Commonwealth. Anthony Eden offered retrospective advice to historians of British policy from 1951 to 1955: "It will be remembered that the events which I now describe were never seen in isolation at the time. ... None of them can be understood in isolation from the others".²² Perhaps this important suggestion should be borne in mind in reaching an understanding of British policy towards western European integration. In such a framework, Milward's conclusions need to be balanced with those of his diplomatic colleagues. Milward does place some significance on the role of foreign policy in his analysis of why Britain played so limited a role in the process of western European integration up to 1955.²³ However, the

basis of his explanation for Britain's non-involvement in western European integration is the different pattern of economic policy pursued in London than in the capitals of the Six. In the United Kingdom, trade and industry had a lesser place in policy formulation than the status of currency. There was not the same post-war association between commercial and industrial policies in the United Kingdom as developed elsewhere and ultimately, manufacturing industry had less weight in British politics than it did in continental countries.²⁴ These are, without question, highly significant factors in explaining British policy. Indeed, Milward's analytical framework is indispensable when extrapolated into the second half of the 1950s when dealing with fundamentally economic questions which have greater political significance.

Nevertheless, as Milward himself suggests, his is only a partial explanation.²⁵ It has to be associated with diplomatic historical explanations of British policy which discuss less tangible factors. These have their basis in Britain's extra-European tradition, in its unique wartime experience, and in the deep historical, linguistic and cultural links to the United States and the Commonwealth. This sense of 'difference', of being 'with but not of' Europe, was part of the post-war Ministerial and official psyche and was a bipartisan political phenomenon. National interest led Britain in a different direction from her western European partners. Her preference for intergovernmental co-operation, the wider policy considerations of the Commonwealth and her desire to sustain American defence commitments in Cold War Europe were all contributing factors in the construction of policy towards western European integration. It may be that in retrospect, the reality of Britain's trading patterns should have forced Whitehall into a more purposeful involvement in the process of integration, but there is also weight in the diplomatic argument that Britain's priorities were extra-European and that political instability on the Continent, exemplified by the failure of the EDC, did not engender the political will in Britain to fundamentally alter the profile of her foreign economic and diplomatic policies. Britain would not necessarily have joined a European federation even if it was guaranteed to succeed in the long run. As Young suggests, the transformation in British foreign policy attitudes would only take place when the policy foundations set in the late 1940s had broken down.²⁶

The purpose of this brief synthesis of historical explanation has been to provide a framework for the second section of this examination of Britain's western European integration policy in the 1950s. It has already been noted that both economic and diplomatic historians agree that Britain was left on the periphery of Europe because of the failures in her own policy. Increasingly, the focus for specific criticism, once again bipartisan in historiographical terms, is the period 1955 to 1957, when Britain was offered a chance to participate fully in the formulation of the Treaty of Rome but declined. Milward believes Britain's failure to sign the Rome Treaties was a serious mistake.²⁷ Young's analysis supports Lord Bullock's argument that if there was a 'lost opportunity' for Britain's relations with the European supranational movement it came with the Conservatives between 1955 and 1957.²⁸ These contentions will now be examined by employing archival research to analyse crucial redirections in British policy based on both economic and diplomatic considerations.

AN EXPLANATION OF BRITISH POLICY TOWARDS WESTERN EUROPEAN INTEGRATION, 1955 TO 1959

In the latter half of the 1950s British policy towards western European integration underwent two periods of re-evaluation. The first, from 1955 to 1957, led to the proposal for a European Free Trade Area. The second, from the end of 1958 to 1959, eventually produced Britain's first application for membership of the EEC in 1961.

A New Course? Messina, Plan G and the European Free Trade Area proposal, June 1955 to February 1957

Britain's European Free Trade Area proposal, officially announced in February 1957, was the result of eighteen months of policy formulation in Whitehall.²⁹ The classic view of British policy, presented by Miriam Camps in 1964, suggests that the European Free Trade Area "represented a real and substantial shift in the British government's attitude towards Europe" and that although "the free trade area

proposal was ineptly presented and badly negotiated ... it was not maliciously conceived".³⁰ This view needs to be clarified by archival analysis.

The European Free Trade Area did represent a shift in the British government's attitude towards Europe, but not as fundamental a conversion as Camps suggests. It was indeed a revision of British policies towards trade in manufactured products, but beyond that, attitudes towards integration remained cognate with many of those of the first half of the 1950s and before. Although it is beyond the scope of this paper to analyse Camps' contention that the proposal was "ineptly presented and badly negotiated" (although archival analysis does seem to sustain this view), the argument that the Free Trade Area was "not maliciously conceived" can be analysed here. Camps' implication was directed at a great deal of contemporary criticism which viewed the European Free Trade Area as an attempt by the British government to sabotage or dissolve the Six's Common Market in a wider grouping.³¹ This sceptical view, that London's policy was inherently "anti-EEC", has recently received further historical support.³² However, British policy towards western European integration from mid-1955 to 1958 was too sophisticated to be branded as either purely positive or purely negative. Nevertheless, contrary to Camps' view, the ancestry of the European Free Trade Area was in fact malicious.

In June 1955 the Six ECSC powers met in Messina, Sicily, to examine, amongst other measures, the idea of a European Common Market as a means of further integration in western Europe. This marked *la relance Européenne*, the relaunch of the European idea after the setback caused by the failure of the EDC in August 1954. Britain's participation in the consequent Spaak Committee has already been treated to archival research.³³ The substance of this analysis has been to paint a negative picture of British decision making. The Messina Conference and the deliberations of the Six in the Spaak Committee were not given enough diplomatic weight in London and decisions were taken mainly at official level with little Ministerial involvement.³⁴ Furthermore, Whitehall not only misread the evolution of the Six but also made tactical errors in at first getting embroiled in the Spaak Committee, then withdrawing and compounding suspicion by making a negative declaration against the Six prior to the publication of the Spaak Report.³⁵ It is accepted by Milward, Young and others that the decision to remain outside of the Six's Common Market in November 1955 was not based on a serious and detailed analysis of Britain and western European priorities at that time, but was purely a restatement of decisions taken towards western European integration in the early 1950s.

These analyses of British relations with the Six powers in the autumn of 1955 have failed to trace, in detail, the lineage from the search for a 'counter-initiative' to Messina in autumn 1955 to the development of the European Free Trade Area proposal in 1956. The origins of the European Free Trade Area lay partly in the Eden government's decision to attempt to disrupt the Six's Messina plans. Whitehall officials decided to recommend to Ministers that preparation for a study of a "fresh proposal for an advancement towards European integration ... should be begun without delay" at a meeting of the Cabinet Office's Mutual Aid Committee (MAC) on 27 October 1955.³⁶ More significantly in terms of the essence of British official attitudes towards the Six, the MAC also decided that,

"...on the whole the establishment of a European Common Market would be bad for the United Kingdom and if possible should be frustrated. But if it came into being without us outside it we should pay an increasing price commercially. But even this would not outweigh the political objections to joining..."

Therefore the option of a "fresh proposal" was part of the greater hostile British policy which saw the best course as the failure of the European Common Market. It is not too difficult to imagine British officials extrapolating the EDC/WEU example of 1954 into 1955/56. In other words, with the collapse of the European Common Market, Britain's "fresh proposal" could be implemented to draw western Europe back into the intergovernmental fold under British leadership.

The "political objections" that were the basis of Britain's decision not to join the European Common Market, with one vital exception (the reversal of point iv), remained criteria for the development of the European Free Trade Area proposal. They merit quotation at length:

(i) membership would weaken the United Kingdom's economic and consequently political relationship with the Commonwealth and the Colonies;

- (ii) the United Kingdom's economic and political interests were world-wide and a European Common Market would be contrary to the approach of freer trade and payments;
- (iii) participation would in practice lead gradually to further integration, and ultimately perhaps to political federation, which was not acceptable to public opinion in Britain; and
- (iv) it would involve the removal of protection for British industry against European competition.

Despite the fact that British officials were dealing with a commercial proposal, the decision to not participate in the Common Market was taken on political grounds. This established a principle which would characterise the formulation and later negotiation of the European Free Trade Area. As Milward has suggested, the MAC decision was flawed. There was no detailed British analysis of manufacturing costs comparable to similar inquiries in France, and no doubt elsewhere.³⁷ The negative, inept and dangerous policy decision taken by Ministers on 11 November 1955 which accepted the MAC recommendations also mirrored the uninterested, sceptical view of western European integration taken by the Chairman of the Ministerial Economic Policy Committee (EPC), Chancellor Rab Butler.³⁸ The EPC did, however, also instruct officials to continue with their examination of "the possible elements in a new United Kingdom initiative for further progress in the reduction of barriers to trade in Europe, on an all-European basis". As an indication of the significance Ministers attached to this aspect of the larger policy, the EPC was told not to expect too much from these examinations as there were limitations to the extent the government could offer tariff reductions. On the same day as this decision was taken, Treasury Third Secretary and chairman of the MAC, Otto Clarke, circulated a paper to the MAC outlining the considerations which "at first sight" could have produced a "fresh initiative" in British policy towards economic co-operation in Europe:

- (a) tariff reductions
- (b) freer movement of labour
- (c) freedom of movement of capital
- (d) harmonisation of social services
- (e) abolition of passports and visas.³⁹

These proposals bear little resemblance to the options which Ministers eventually deliberated over before agreeing to the European Free Trade Area, but the MAC's discussions in November 1955 did represent the beginning of Whitehall's re-evaluation of policy towards western European integration. The insubstantial nature of the considerations for Britain's "fresh initiative" reflected the low level of importance Whitehall officials were attaching to the Common Market in autumn 1955. This symbolised the widely held view that the Six's success was very dubious. The Foreign Office argued that "it would be in the United Kingdom's interest if the operation [the Common Market] did collapse". A British association with the Six was a possibility only if "the Six do manage, in spite of everything to go ahead".⁴⁰

The negative tone of this Foreign Office advice and of the EPC decision led to the proclamation of Britain's decision not to participate in a European Common Market by the top British official at the OEEC, Sir Hugh Ellis Rees on 6 December. This *démarche* caused immense ill-feeling on the Continent which coloured western European views of Britain's more genuine European Free Trade Area proposal in the long term.⁴¹ There can be little doubt that London attempted to frustrate the progress of the Six in November/December 1955 and that Ellis Rees's *démarche* was an indication of this negative policy. Although there is no direct evidence, it is increasingly accepted that Harold Macmillan as Foreign Secretary was the initiator of Britain's hostility.⁴² This is particularly significant when Macmillan's high profile role as Chancellor of the Exchequer in the formulation of the European Free Trade Area proposal is considered.

Ultimately, therefore, the origins of the European Free Trade Area lay in the Eden government's rejection of the consistent policy of benevolent non-involved neutrality towards western European integration pursued from mid-1950 to autumn-1955. The examination of a "counter-initiative" was a component of the greater hostile policy. The officials who began work on considerations for a "fresh initiative" in British policy were mainly the same officials who had concluded that it would be in Britain's interests if the Six failed. They were also the same officials who had overseen Ellis Rees's damaging *démarche*. The retreat from the hostility of autumn 1955 and a return to benevolence came early in 1956. But it represented a new British attitude, a policy of benevolent involvement.

A combination of three factors breathed new impetus into Whitehall's re-evaluation of its western European policy in early 1956. The first was Harold Macmillan's move from the Foreign Office to the Treasury. Within days of arriving in the Chancellor's office, Macmillan showed interest in the study of a British 'counter-initiative' to Messina noting that he felt the government's approach to be too negative.⁴³ Within two months, often against the advice of his Treasury officials, Macmillan had given stimulus to a new British policy which was much more than purely a 'counter-initiative'. Secondly, the apparent conversion from the aggressive policy of November 1955 is also explained by the resilience of the Six. They had not collapsed under French equivocation as often expected. As the Brussels Conference progressed and Spaak neared his report stage, it increasingly dawned on London that neither benevolent non-involvement nor hostile action were appropriate policy options. In a reactive, defensive manoeuvre from the start, Whitehall searched for new policy direction. On 1 February, Macmillan explained his anxiety to the Permanent Secretary of the Treasury, Sir Edward Bridges, "I do not like the prospect of a world divided into the Russian sphere, the American sphere and a united Europe of which we are not a member".⁴⁴ The final contributory factor in the development of a new British policy was American influence. In late January, Eden and Foreign Secretary Selwyn Lloyd travelled to Washington to have wide-ranging talks with Eisenhower and Dulles. British officials had provided their Ministers with a very negative brief on European integration.⁴⁵ The tone of Peter Thorneycroft's letter from the Board of Trade to Eden prior to the Washington visit reflected the substance of the brief,

"I am convinced that the American's are in a fool's paradise about Messina, and I strongly recommend that you and the Foreign Secretary seek to bring home to President Eisenhower the gravity of the dangerous situation which is rapidly developing against the interests of both our countries and all our joint work since the war to build up a 'one-world' trading system..."⁴⁶

The unsuitability of this attitude should have been recognised in London. After the ill-feeling caused by the December 1955 démarche, Dulles had firmly reminded Macmillan of Washington's considerable interest in the success of the Six.⁴⁷ The Secretary of State obviously had some effect on Macmillan, hence his interest in a more positive policy. The greater American influence developed on Eden's return from Washington when the Prime Minister reported to Cabinet that his discussions had "...revealed some difference of attitude ... towards the new projects for economic integration in Europe".⁴⁸ From the industry of Whitehall officials after 9 February, it seems American attempts to direct Britain into a more positive approach to western Europe had succeeded.

The redirection of British policy was therefore underway. Three general impressions are gained from analysis of Whitehall's production of the European Free Trade Area proposal. The first is the speed of the process. Policy options were formulated and analysed from 6 March to 31 May, 1956. Studies continued throughout the summer of 1956 with the Cabinet eventually taking a positive decision in the autumn amidst the Suez debacle. The work was closely supervised by Macmillan at the Treasury and Thorneycroft at the Board of Trade. These Ministers championed the re-evaluation in British policy and were responsible for the development of the European Free Trade Area proposal. On 20 April, officials submitted their interim report.⁴⁹ There were six policy options:

- A. an active policy of co-operation with the OEEC
- B. the merger of the Council of Europe and the OEEC
- C. a "European Commodities Tariff" scheme [for OEEC wide reductions in tariffs]
- D. a free trade area in steel with Europe
- E. a partial Free Trade Area with Europe
- F. Strasbourg Tariff Scheme [the over-ambitious proposal for a Europe-Commonwealth tariff system].

The second impression from analysis of the formulation of Plan G is that there was an inevitability about the final Ministerial choice based on these options. The decision taken by Ministers on 31 May was one of elimination of impossibilities (ie options A, B, C, D and F) rather than the acceptance of a

possibility (option E, which inexplicably became known as Plan G in Whitehall).⁵⁰ For the majority of officials involved in the interdepartmental working group on the European initiative there really was no choice other than the European Free Trade Area. It is surprising that a decision of such import was taken in this manner. Two conclusions can be reached. Firstly, that the European Free Trade Area was the only pragmatic option. A lot of weight has to be attached to this. Secondly, that Whitehall's deliberations were under the pressure of time and practicality. In other words, that the Six's progress, especially after the Venice meeting of May 1956, forced London into rapid decisions. More than this perhaps, Macmillan, Thorneycroft and those officials involved in the European initiative recognised that for the new policy to be both generally acceptable in London and readily implemented it should in no great way disrupt existing external economic and foreign policies. Rather it should attune with the framework of these policies. This represents the third impression of British policy formulation. The European Free Trade Area was accepted as a means of accentuating Britain's position in western Europe and attempting to preserve British power there. It was thus a defensive policy at heart. Evidence for this is Thorneycroft's attempt to convince his Cabinet colleagues of Plan G on 14 September,

"There was no prospect of our being able to pursue our traditional policies undisturbed and the proposals in Plan G had been devised to turn the developments in Europe to the advantage of the United Kingdom and of the Commonwealth as a whole. ... this would place the United Kingdom for the first time in a combination equal in scale to the other two great trading units of the world, viz., the United States and the Soviet Union... Moreover at the present time but no later we could enter such a combination on our own terms".⁵¹

No doubt, the President of the Board of Trade was embellishing the importance of Plan G to convert those Cabinet members who were sceptical of closer ties with western Europe. Nevertheless, the motivations for the European Free Trade Area proposal, for the redirection in British policy towards western European integration, are fundamentally clear. A brief description of Plan G is necessary before its significance can be analysed.

The European Free Trade Area would embrace the Six's Common Market at its core but also include those OEEC members who were able to fulfil the membership criteria. It was a looser concept than the Six's plan, with far fewer political implications. It envisaged internal free trade, but unlike the Common Market there would be no common external tariff. In other words, national sovereignty in imposing tariffs on imports from third countries would remain intact. Crucially, the Free Trade Area would be purely an industrial arrangement with agriculture excluded completely. The British policy can be best described as enlightened self interest as it proposed a new relationship with western Europe in manufactured products, but also left Commonwealth preference and British domestic agriculture unaffected.⁵²

There are economic and diplomatic explanations for the nature of Britain's new policy towards western European integration. Economically, the European Free Trade Area represented a new path in British commercial policy. It was to be integrated, however, into the existing policy of the Collective Approach with the priority given to sterling. Officials had concluded that "if [the government] moved into Plan G within the framework of [its] existing policies, determined to make and keep the United Kingdom economy competitive, accepting that [the government] must continue to remove dollar discrimination and be prepared, at the right time, to accept the consequences of sterling convertibility, Plan G should be acceptable and negotiable and should strengthen rather than weaken sterling".⁵³ Ultimately, therefore, the divinity of sterling remained unaffected, and potentially strengthened by the new commercial policy. Significantly, and in contrast with the Six's long-term plans, Plan G was in no way to involve members' loss of sovereignty over financial policy.

As mentioned above, the European Free Trade Area proposal also left Britain's preferential trade with the Commonwealth unaffected and by its exclusion of agriculture, did not involve complex and dangerous alterations in Britain's domestic agriculture industry. Thus wider aspects of Britain's economic policy frameworks were left intact. Britain's main policy alteration via the European Free Trade Area was, as Camps has suggested, significant in itself. By dismantling industrial protection, accepting the reduction of tariffs and quota restrictions on trade in manufactured products, Britain would need to be competitive in the western European economy. The result of a failure in British industries' competitiveness would have led to loss of business and unemployment. However, Britain

was going to have to face this predicament in any case as western European economies, especially that of West Germany, expanded.⁵⁴ The European Free Trade Area was designed to make this transition as painless as possible for the British economy by ensuring that the other tenets of British policy (sterling, Commonwealth preference, and domestic agriculture) were not jeopardised. Thus the European Free Trade Area was not as fundamental a conversion in British policies as Camps suggests. Plan G provided a means for London to retain access to the markets of the Six through association with the Common Market, and as such, ensure that Britain was in a position to attempt to sustain its manufacturing industry as the might of the West German economy grew.

There were also equally significant diplomatic considerations. The potential success of the Six threatened Britain's political position in western Europe. By achieving the association between a London-led European Free Trade Area and a Brussels-led European Common Market, the British government would retain its perceived power position in the western European order on the preferred intergovernmental basis. This may have been a relatively intangible factor in comparison with the effect on trade of discrimination by the Common Market, but it is clear from Whitehall archives that it was a crucial consideration, often given more importance in Foreign Office internal debates than more qualifiable economic considerations. In a similar vein, Britain also realised the significance of retaining its 'special relationship' with the United States. The American interest in western European integration was well known in London after Eden's visit to Washington. Britain had to develop a more constructive policy towards western Europe or face causing a disruption in relations with the Eisenhower Administration. It was all very well for the Macmillan government to stress the significance of western unity and security in the cold war world, but a negative policy towards integration was not compatible with the wider policy of strengthening the west and tying the Federal Republic of Germany to western institutions.

The European Free Trade Area proposal was without doubt a very significant redirection in British policy towards western European integration. It represented a return to the benevolence of the first half of the 1950s. The new benevolence was one of involvement as opposed to neutrality, however. Significantly, London had jettisoned overt hostility towards the development of the Six's plans. But ultimately, Plan G represented a slight shift in British attitudes as the wider tenets of policy remained otherwise as they had done from 1950 to 1955. The new western European policy was a tilt towards Europe, not a fundamental change in policy attitudes. Beneath the veneer of the commercial policy change, the basis of British economic policy (the Collective Approach and Commonwealth preference) and diplomatic policy (priority of relations with the United States and the Commonwealth) remained the same.

The end of the 1950s and the beginnings of a change in British policy

Much of British policy towards western European integration in the second half of the 1950s is therefore characterised by negativity. This originated in the hostile *démarche* in the OEEC in December 1955 when Britain announced it would not participate in a European Common Market. Consequently, the formulation of Plan G was a reactive policy decision based on the negative consideration expressed succinctly by Peter Thorneycroft in May 1956, "The truth may be that we cannot afford to let [the Six] succeed or fail without us".⁵⁵ This is not to suggest that during the period 1956-1958 London aimed to sabotage the Six's plans, but that it was forced into reacting to the success of Messina rather than presenting a new, dynamic policy to western Europe.

It was a form of negativity which brought the critical modification in British attitudes towards western Europe at the end of the decade in 1958/59. Young suggests Britain failed to join the EEC at its inception because "...the bases of policy established in 1948-9 had not yet broken down".⁵⁶ It finally took that breakdown to force a re-evaluation of the tenets of British policy. The redirection which eventually led to the first application in 1961 was not wholly the result of a new vision in London's foreign economic and political outlook. It was very much the realisation of the significance the events of December 1958 and their ramifications held for Britain's world position.

At the end of 1957, Harold Macmillan instructed the Cabinet Secretary, Sir Norman Brook, to organise a "fresh study" of the United Kingdom's position in world affairs "with a view to ensuring that the best use was made of available resources both military and economic in light of a reassessment of our

essential interests".⁵⁷ The study involved all of the main Whitehall departments: the Foreign Office, the Treasury, the Commonwealth Relations Office, the Colonial Office and the Ministry of Defence. In essence, it represented a cost-cutting exercise, an analysis of British expenditure with the aim of reducing or re-apportioning that expenditure. The Cabinet's 'Future Policy Committee' as the steering group for the study was known, was comprised of the Permanent Secretaries from the involved departments and met six times from December 1957 to May 1958 to consider officials' reports.⁵⁸ The product of this far-reaching official examination of Britain's world responsibilities and position is a very useful source for the historian of British priorities in the late 1950s. It also points to the significance of the events of December 1958.

At their third meeting in February 1958 the Whitehall Permanent Secretaries discussed the possibility of abandoning "the attempt to synthesise co-operation with Europe on the one hand, and the Commonwealth and the United States on the other" and instead, playing a full role in an integrated western Europe.⁵⁹ The response was reminiscent of arguments rehearsed, no doubt, constantly at every such juncture from 1945,

"Our economic prosperity was dependent on world trading, and the maintenance of sterling as an international trading currency. We were part of each of the three important international groupings: the Commonwealth, the Anglo-American nexus, and Europe. We could not cut ourselves off from the Commonwealth, nor abandon our relationship of "inter-dependence" with the United States, and still hope to maintain our world-wide trading position and the international status of sterling".

This increasingly fatigued view of Britain's world position was the basis of the Report submitted to an ad hoc Ministerial Committee chaired by Macmillan in July 1958.⁶⁰ As with its post-war predecessors, the Macmillan government's priority was to ensure Britain's position as a world power of the second rank and guarantee continued British prestige. Britain's resources were the fuel for these central aims and in 1958, the preservation of these resources was thought to be based on an economic policy of expanding British trading interests throughout the world, preserving and strengthening the cohesion of the Commonwealth, and maintaining the sterling area and the strength of sterling. With these economic foundations, the two main political aims could be pursued (in concert with Britain's allies); firstly, preventing global war and defeating the efforts of Communism to dominate the world, and secondly, maintaining the stability of the free world, especially Western Europe.

The emphasis was thus focused on Britain's economic strength as a basis for her foreign policy goals. This aspect of the official study of Britain's world position was drawn from the Treasury's analysis of external economic aims.⁶¹ The Treasury identified four main external economic aims: to maintain the international value of sterling and to strengthen the United Kingdom's external monetary position; to ensure the cohesion of the Sterling Area and the continuance of the sterling system; to secure the steady expansion and freeing of world trade; and finally, to have a share in world trade "adequate to [Britain's] needs". There was, however, one crucial caveat. The Treasury reiterated a statement from a policy review of June 1956, "There are areas or aspects of policy in which a failure could make it more difficult for us to attain our aims. But there is one, success in which is a matter of life and death to us as a country. This is the maintenance of the international value of sterling".

From the grand significance attached to this policy foundation in 1958 it is possible to return to Alan Milward's analysis of British attitudes towards western European integration from 1950 to 1955 which suggests that policy was conditioned by the priority given to sterling. Milward's argument can be sustained in an analysis of British policy from 1955 to 1958. There is no doubt that sterling convertibility received a higher priority in British policy than the proposal for a European Free Trade Area. However, two parallel events took place in December 1958 which were of great consequence in the development of Britain's general economic policy and attitudes towards western Europe. The first was the re-establishment of convertibility and the second was the collapse of the Maudling negotiations for a European Free Trade Area.⁶² The modification in British policy towards western Europe which was to take place in 1959/60 began as a result of the experiences of December 1958 and the lessons learnt in the European Free Trade Area negotiations with the western Europeans over the previous two years. It would bring Britain's signature on the Stockholm Convention for a European Free Trade Association in November 1959 and eventually Britain's application for membership of the EEC in 1961.⁶³

At the end of the 1950s, the commercial strength of western Europe was increasingly dawning on London. In 1959 Ministers were informed that for the first time since the second World war West Germany's exports of manufactured goods (though not her total exports) were higher than those of the United Kingdom.⁶⁴ In their report on Britain's external economic aims in January 1958, officials had stressed that convertibility was not "an end in itself, but ... a means to an end - namely trade. ... We essentially live by buying, processing and selling. In no other way can we improve our living standards. Thus we must import; and therefore must earn the means of paying for our imports by exporting. Freedom from restrictions for our exports must always be more important for us than liberty to keep out imports from others...".⁶⁵ This had clear policy implications, "...we must seek through the F[ree] T[rade] A[rea] to ensure that the E.E.C. is an instrument of freedom not restriction". In December 1958, convertibility may have been finally achieved with all its potential for sterling as an international currency. Nevertheless, as the EEC's commercial power began to dawn on London, and as Britain's trading patterns began their move towards western Europe, the end, trade, rather than the means, convertibility, began to assume greater importance than it had in the previous decade. Perhaps, therefore, Milward's argument needs slight alteration to include the developing emphasis on commercial policy as Britain entered the 1960s? Commercial isolation, and its concurrent significance in a wider political sense, was the motivation for Whitehall officials' interest in a European Free Trade Association, which "offered the only positive hope of arresting the commercial isolation of [Britain] from Europe" and which would bring "a measure of coherence to a situation which contained the seeds of disintegration".⁶⁶ It was hoped that EFTA would provide a limited export market for British manufacturers and at the same time increase Britain's negotiating power with the Six in any future multilateral negotiation. But EFTA was never intended to be the basis of Britain's relations with western Europe for anything longer than a brief period before London could devise a more definite policy towards the EEC. This came in 1960.

Of course, fears about Britain's commercial position in western Europe cannot alone account for the changes in British policy at the end of the 1950s. There are other economic and diplomatic considerations which must be included in a comprehensive analysis. The first is Britain's economic relationship with the Commonwealth. Britain's pursuance of the European Free Trade Area had exposed a crucial contradiction in British external economic policy. Trade with the Commonwealth still accounted for approximately 50% of all British trade in 1958. The government recognised that the system of Imperial Preference was a wasting asset, but hoped that a new pattern of trade with the Commonwealth would be a means to increase commerce, modify and revitalise Commonwealth links, political as well as economic, and ensure continued British prestige. The Maudling negotiations had proven this to be incompatible with Britain's western European integration policy. For all the British claims that the European Free Trade Area was compatible with the Commonwealth preference system it was not. Although it was theoretically possible for the two preferential areas to exist side by side with Britain reaping the benefits of both, in reality, parallel existence was impossible as French and EEC agreement to the European Free Trade Area would inherently have involved a British concession on preferential trade with the Commonwealth. This would only have been achieved if Britain had backed down on the crucial external tariff debate, an impossibility in London. As one British official put it, "Commonwealth preference depends on a tariff, therefore if no tariff, no preference".⁶⁷ This situation was worsened by the fact that some of the Dominions (particularly Australia and New Zealand) had been looking to renegotiate trade agreements with Britain and increase commercial links with western Europe, thus presenting the danger that they would bargain away British preferences in favour of increased access to European markets. This change in Britain's wider commercial relations, coupled with the need to maintain access to western European export markets were two vital factors in producing changes in external economic policy from 1959 onwards.

Political factors were also crucially important. At the close of the European Free Trade Area negotiations it had become clear to Britain that the Franco-German rapprochement threatened Britain's position in western Europe. By March 1959, the situation had worsened and Reginald Maudling, who had held Ministerial responsibility for the Free Trade Area negotiations, warned Macmillan that, "the fact is the French do not seem to want us in Europe at all. The Community of the Six has become a Paris/Bonn axis, with Paris at the moment the dominating partner. ... The other four countries are really no more than satellites. ... I remain convinced that if we were to reject the idea of forming some alternative association with our friends outside the Six we should be left without a friend in Europe and we should thoroughly deserve such a fate".⁶⁸ From 1956 onwards, the British government had worked

to avoid diminution of its status in western Europe. This had been one of the rationales at the base of the European Free Trade Area. In 1959, the possibility of reduced power was a very real factor in London's foreign policy. Similarly, the breakdown of Britain's western European policy in late 1958 also threatened to affect its relationship with the United States. The American preference for the Six's form of integration was well known in London by 1959 and the prospect of Britain's isolation from the EEC's development carried with it daunting prospects of a decline in the 'special' nature of London's relationship with Washington as the Americans looked increasingly to Bonn and Paris.⁶⁹

In summary, the re-evaluation in British policy towards western European integration which began in December 1958 and continued through Britain's signature on the Stockholm Convention, eventually leading to the first application in 1961, was forced upon London by the failure of the policy pursued from November 1955. A combination of economic and diplomatic considerations led Whitehall into a fundamental redirection in policy attitudes which although akin to the processes that created the European Free Trade Area proposal, were in fact far more significant by 1960.

CONCLUSIONS

British Ministers and officials did not construct their policy towards western European integration in the 1950s from purely an economic or purely a diplomatic viewpoint. Despite the dichotomy in the historiography of British policy from 1950 to 1955 it is clear from a synthesis of the accounts that there were a broad range of policy considerations all of which need to be analysed in constructing a comprehensive examination. Only by achieving this will the historian be able to make a contribution to a greater understanding of the processes of western European integration which Alan Milward regards as lacking. By taking an integrated analytical approach this paper has attempted to extrapolate from the historiography of the first half of the 1950s to explain the redirection in policy in 1955/57 and 1958/59. Moreover, it has attempted to do this by employing archival evidence to clarify the traditional accounts of British policy in the second half of the 1950s and make a contribution to the understanding of that period.

This analysis has produced a number of themes which traverse the two periods, 1950 to 1955, and 1955 to 1959. The first suggests that Milward's argument is sustainable up until the end of the decade. Sterling was seen as a panacea for Britain's decline and financial policy did receive far more significance in economic policy construction in Britain than on the Continent. However, it seems that with the greater importance attached to Britain's commercial policy in the late 1950s, Milward's view about the pre-eminence of sterling may require some qualification at that stage. As Britain became aware of western Europe's economic strength, institutionalised in the EEC, it was forced into re-evaluating its economic priorities. It was from the early 1960s that commercial policy gained in significance in Whitehall.⁷⁰ This seemed to coalesce with changing commercial relations with the Commonwealth. There is great scope for future research here. When exactly did the Commonwealth's reorientation become apparent to London? When did trade with the Dominions become less profitable than prospective trade with western Europe and did Whitehall react to these considerations?

The second theme is one of negativity. British policy towards western European integration was constantly based on negative foundations, and not a positive decision to play a full part in a unified Europe. This was particularly true in the latter half of the decade, but built on the first in a causal manner. Once again, it is necessary to make a synthesised explanation of this factor. Britain's economic tradition, the significance of sterling and the sterling area, in combination with its perceived 'special' relationship with the United States, and its definite unique relationship with the Commonwealth acted in unison to produce a policy attitude which distanced Britain from its European neighbours. Milward suggests that Britain followed similar political developments to other western European countries in the post-war period, but surely the aforementioned factors created a difference in British outlooks.⁷¹ It may be that in retrospect, there should have been no such difference and successive governments should have forced Britain more dynamically towards western Europe, but nevertheless, being apart from Europe was a universally held opinion in Britain of the 1950s. As Morgan has suggested recently, "Great Britain, almost uniquely in the contemporary world, has remained cribbed, cabined and confined by recollections of victory".⁷² One area which requires further research is the examination of the personal outlook of those who conditioned the policies under consideration. Milward is extremely

critical of Whitehall in the 1950s and places responsibilities for many of the failures in British policy on the personnel who designed and implemented it.⁷³ There is room for further analysis of this contention. Without doubt, the mindset of those officials who created British policy in the period 1955-57 was very different to that of those who created policy in the 1960s.⁷⁴

The third important theme is that the view expressed by Young about the motivation for significant change in British policy is born out by detailed archival research. Young suggests that attitudes were only transformed by the collapse of policy structures established in the late 1940s.⁷⁵ In 1955/56, when the first major reorientation of British policy occurred, many of these foundations were still in place, the relationship with the United States and Commonwealth trade being of the most important. It was only when the equation of British foreign policy had changed by the late 1950s that fundamental re-evaluations took place. The success of the Six and the decline in Britain's relative power in western Europe, combined with the potential loss of influence with the United States and a transformed Commonwealth relationship were the driving forces which led to the first application in 1961. There are economic and diplomatic aspects in this nexus which will form the basis of controversy in accounts of Britain's world relations for some time to come.

The final and perhaps most important theme is that the analysis has supported the view of both economic and diplomatic historians which suggests that the period 1955/57 was where crucial policy failures were made.⁷⁶ The failed British diplomacy of autumn 1955 created lasting suspicion of British motives in western Europe and forced Whitehall into a rapid re-evaluation of its policy. The nature of the crucial redirection, perhaps the most important in Britain's relations with western Europe to that date, did little to convince its prospective partners of what British Ministers claimed it to be: an imperative contribution to the process of western European integration. The policy designed to restore faith in Britain after the *démarche* of December 1955 and secure the country's future position, both economic and diplomatic, in western Europe, achieved neither. Perhaps the policy was as Robert Marjolin deemed it to be, "too ingenious for its own good".⁷⁷ To the Six Powers, the European Free Trade Area was not designed for their good, but for the good of Britain. At the beginning of the 1950s this would not necessarily have precluded acceptance of British involvement in the process of western European integration. But by the end of the decade, as their post-war integration efforts finally seemed to be succeeding, the Treaty of Rome powers were no longer dependant on the potential influence British association would bring.