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## 《論 說》

# Europe, America, and Developing Countries: The Transformation of the O.E.E.C. to the O.E.C.D. (1959-1961)

Ken Masujima

This study aims at analyzing how the ideology, procedural rules and membership of an international organization are defined in a concrete case: the transformation of the OEEC (Organisation for European Economic Co-operation) to the OECD (Organisation for Economic Co-operation and Development). By looking at the negotiation process through now-available primary sources documenting the international meetings which brought about the OECD and the position papers of its major participants (the US, the UK, France), this study seeks to relate changes in an international organization to the power dynamics within and outside the organization.

The policy-makers recognized the project as extremely important. The primary architect of the project, Douglas Dillon, US Secretary of the Treasury (former Under Secretary of State), presented the draft treaty setting up the OECD to the Congress by saying that this reflected a "historic change in our relations with Western Europe and in the relations between the industrialized and developing countries."<sup>1)</sup> The process was judged important as it involved not only the relationships between Europe and the US but also those between developed countries and developing countries.

It is expected that this study, based on primary documents, should bring about new insights into the interrelationships between different parts of the world (Europe, North America, and developing countries). At that time the

issue of the place of developing countries in the world came to be posed. How did the Cold War affect the relationships between developed countries and developing countries? How did the question of development affect the Atlantic relations? It will be argued that the problem of how to deal with developing countries had a profound impact on the reorganization of the relations between Western Europe and North America (and Japan in subsequent years).

### 1. The Issues

The negotiations in view of transforming the OEEC began at the Western Powers Summit Meeting in December 1959.<sup>2)</sup> There appeared three main points of contention among the countries concerned with the negotiations: (1) the question of relationships between the new organization and the Development Assistance Group (DAG) especially at the occasion of the OEEC Special Economic Committee's Meeting in January 1960, (2) the problem of decision-making within the new organization, and (3) the question of trade.

#### (1) The relationships with DAG

Following the discussion at the Four Powers Meeting in December 1959, in which the need to discuss ways to enhance development assistance was confirmed, the Special Economic Committee on January 13, 1960 approved a resolution which was subsequently adopted at the meeting of representatives of twenty governments on January 14, 1960. The resolution noted that eight countries and the Commission of the European Economic Community, "are making available or maybe in a position to make a significant flow of long term funds to underdeveloped areas..." intended to meet together to discuss various aspects of cooperation in their efforts to facilitate such flow of funds, taking into consideration other means of assistance to developing

countries.<sup>3)</sup>

Several remarks are in order regarding this origin of DAG. Firstly, the criteria for determining eligibility to such a grouping was proposed by the US and accepted by other countries. This opened the way for Japanese membership in DAG as envisioned from the start by the US, despite the reluctance of most other countries.<sup>4)</sup> Secondly, the part of the resolution "taking into consideration other means of assistance to developing countries" was put at the insistence of Germany who feared that she might be singled out as a country to increase long term financial flows to developing countries.

A major point of contention regarding DAG was the relationship that DAG should be called on to have with the newly transformed organization named the OECD. DAG had to be created before the establishment of the OECD since the latter was not expected to come into existence (through ratification process) before 18 months. This opened up room for discussion. There appeared basically two contrasting positions on the question.

On the one hand, Britain, later joined by Canada, argued for the dissociation of DAG from the OECD. They argued that DAG should be independent and should have its proper secretariat separate from that of the OECD. The reasons behind their move were not clearly articulated but we could discern three considerations, which seemed to influence the thinking of the officials concerned. The first relates to less-developed members of the OECD, i.e. Turkey and Greece. The British, and especially the Canadians feared that if DAG as transformed into DAC were to be attached to the OECD as called for adamantly by Turkey and Greece, DAC might be led to take charge of assistance to these countries under their influence. Britain and Canada did not want to assume additional burden to help these two countries. Secondly, the British whose main interest in the OECD was to solve as quickly as possible the antagonism between the Six

and the Seven thought that too close an identification with “development” in the new organization might shift the priority of the OECD away from its main preoccupation. Lastly, although Britain was not in principle opposed to the inclusion of Japan in DAG, she suspected that the US was using Japan’s DAG membership to ultimately bring Japan into the OECD itself. For reasons of unresolved trade dispute with Japan, and for reasons of effects on Commonwealth countries, she wanted both memberships to be separate.<sup>5)</sup>

On the other hand, less-developed member countries of the OECD feared that the creation of an independent DAC might shift attention of the OECD countries to other developing countries. Further, they argued that an independent DAC could be viewed as an exclusive club of capital-exporting countries by developing countries. Thus they called for the representation of recipient countries including themselves at DAC. Besides, by placing DAC under the OECD, which includes its less-developed countries, an unnecessary negative label could be avoided.<sup>6)</sup>

The US strongly argued for the inclusion of DAC within the OECD. The US government was very sensitive to prevent the future DAC from being negatively viewed by developing countries. Thus the position defended by Greece and Turkey, that by placing DAC under the OECD a negative label for the new organization would be avoided got the attention of the US government. Besides, the US officials wanted the new organization OECD to be a strong and effective organ for achieving their goals. To this end, they wanted to add a new activity to the OECD. DAC had to be in the OECD in order for it to look more attractive. In addition, the inclusion of DAC within the OECD meant putting the former under the formal control of the Council representing OECD member countries. The eventual opposition of the neutrals (Switzerland, Austria, Sweden) against the creation of this allegedly Atlantic burden-sharing organ could be silenced by

giving them the possibility to supervise the activities of DAC through the Council in which they are represented. It was also expected that those members of the OECD who were not in DAC would one day be led to participate (thus make contributions in terms of aid to developing countries).

At the same time, the US wanted DAC to be as strong and independent as possible even within the OECD. DAC's distinctiveness among other committees of the OECD appears in: (1) the existence of a permanent chairman in residence, (2) the possibility to make known its opinion under the authority of its chairman independently of the OECD Council, and (3) the acceptance of not-overlapping membership (especially the case of Japan setting a precedent). It was at the initiative of the US government at the Fourth Meeting of DAG (the US was represented by Under-Secretary George Ball) that all these characteristics came into existence.<sup>7)</sup>

Other points of contention in the field of development aid relate to the discussion which took place in DAG itself. Although the US wanted DAG to begin discussion of burden sharing from the start, it soon became clear that none of the members were willing to start this kind of discussion right away. Germany, which rightly saw itself as the prime target of US policy calling for more burden-sharing, showed remarkable resistance throughout the DAG meetings. When the US suggested that DAG begin refining burden-sharing figures, it was resisted by most countries particularly Germany. Germany and the Netherlands even refused to talk about the definition of aid. The motives behind this German resistance was not only its desire to avoid being singled out as potential contributor of more aid, but also its conception of the role of public fund. The British side assumed that the German government was doubtful about putting aid money into public sector of developing countries for reasons of ideological inclination.<sup>8)</sup> In any case, the reluctance of Germany was helped by other countries

equally suspicious of US moves and by the fact that development assistance as a field still lacked common bases to start talking ways to coordinate.<sup>9)</sup>

## (2) The question of decision-making

Another issue around which there manifested different opinions was the question of decision-making. By decision-making, I refer to the following two areas: 1) negotiating process itself, and 2) the nature of the new organization.

### 1) Negotiation process

The Four Powers Meeting in December 1959 decided on the principle of the start of negotiation to foster further economic cooperation among the Western countries. Since then there appeared at each phase of the negotiations differing opinions as to how best to proceed.

The first such manifestation was to convene a Special Economic Committee at the merge of the OEEC meeting to begin discussion. A decision was made to limit invitation to those countries which were members of the Executive Committee of the OEEC. An US official confided that this was a useful criteria for limiting the number of countries involved since the US wanted to limit the number as small as possible. France, which was officially the host country for the 13 Countries Meeting, received echoes of dissatisfaction from her diplomatic posts in Austria and Italy. Austria complained bitterly that her interests were unfairly not represented at the coming meeting by non-invitation. Italy was rather concerned that France and especially West Germany were present at the Four Powers Meeting, whereas she was not. As the list of countries invited to the meeting shows,<sup>10)</sup> the Four Powers tried to balance the number of countries represented from both the EEC and EFTA sides. It was for this reason that the Netherlands was added to the list despite the fact that it was not on the Executive Committee of the OEEC.

Another point of contention concerned the composition of the "Wise Men" group called upon to reflect upon concrete problems associated with the reorganization. At the 13 Countries Meeting (Special Economic Committee), there were two draft resolutions on the question. One, by Switzerland, proposed a group of 7 members and to be put under the OEEC. The other, by the US, called for a more restricted group of 3 members and would make the group independent. The Swiss proposal received support of the UK and Sweden whereas the US proposal received French support at the meeting. At stake was whether the OEEC should be allowed to control the process. Switzerland and Sweden, two countries most hostile to US move, and to a lesser degree the UK, leader of EFTA, wanted to avoid giving much power to the Wise Men for fear of losing control. The US, on the other hand, wanted to mark a break with the OEEC and therefore tried to make the Wise Men strong and independent. The US was thinking along the lines of putting the US, the UK, and a representative from the EEC (possibly France).<sup>11)</sup>

In the final analysis, a compromise was reached to make the number of the Wise Men Group to 4. An additional member coming from a non-member of both EEC and EFTA and also a less developed country in the OEEC (Greece) was decided and the concrete names of the Group were to be decided later.<sup>12)</sup> Besides, the group, although being independent, should report to the Twenty Countries Meeting. There was going to be another debate as to whether the Twenty Countries Meeting should keep autonomous standing with regard to the OEEC. Weighing in significantly for a compromise was the UK. Although it was bound by its ties with EFTA countries, it wanted to bring in the US even at the price of losing more or less predominant role it played at the OEEC.

## 2) The Nature of the New Organization

Closely related to the procedural question was what kind of organization

the negotiations should aim for.

It was debated as to whether the attempt being made should be limited to a “reform” of the preexisting organization or should aim for a “replacement” by a new organization. On the one side there were those countries (mostly EFTA countries) which tried to keep as much continuity as possible between the OEEC and the attempted new organization. Thus the representative of Sweden, Lange, at the Special Economic Committee, preferred the object of discussion as “furthering the work of O.E.E.C. rather than as reshaping O.E.E.C. itself and certainly not as replacing O.E.E.C.”<sup>13)</sup> On the other side, from the beginning, France was advocating an ad hoc international meeting of the Great powers to discuss these questions. It was after the US decided to adopt the solution of reforming the OEEC that France came to change her position. It was clear that France wanted to keep to a minimum any continuation with the OEEC. The Belgian representative at the meeting, van Offelen, stated that the organ which were to tackle pressing economic problems of the day “did not yet exist” and twenty governments would have to “take and apply decisions to create it.”<sup>14)</sup>

The US position, as is clear from the draft resolution it submitted and from interventions of Under Secretary of State Douglas Dillon, was to reshape the OEEC as much as possible.<sup>15)</sup> The US government came to hold this view despite some internal disagreement (within the State Department, John Tuthill was proposing dismantling completely the OEEC)<sup>16)</sup> over the best method to proceed, and following the opinions of not only the UK, but of Germany and Italy. Dillon himself did not hide his contempt for the old organization in his discussion with Couve de Murville, French Foreign Minister. In his remark, “the OEEC is dead,”<sup>17)</sup> The countries supportive of this position (the US, France, Germany, Italy, and Belgium) tried to take the arena of decision concerning the discussion away

from the OEEC's formal instances. It should be noted that the Netherlands did not join this group of countries despite its membership in the EEC. It rather took the position along the lines of EFTA countries.

Under these circumstances, a compromise had to be struck and the result was still a "satisfactory" one for the US. While paying tribute to the OEEC ("OEEC had done a remarkable job," "We need to further the work of the OEEC") and dropping from the US draft resolution mention of a "successor organization" (to the benefit of a new formula "reconstituted organization"),<sup>18)</sup> the principle of reorganization was accepted. From the moment the consensus existed that the US had to be brought in, it was judged to be necessary to modify the organization as much as judged necessary by the US. Behind the trace of continuity as seen in the wording, a formal break was thus marked in the procedure.

In another controversy surrounding the nature of the new organization, the US was rather isolated. The US, for reasons of domestic consideration (Congressional sensitivity toward any sign of giving away the decisional power of the US of Congressional origin), initially refused to admit to the new organization the power to decide. It was alleged that the US, by stating that its desire was to see a new organ of consultative nature, wanted to destroy the precious results in the form of binding agreements reached at the OEEC. Although France was widely held to be close to US position, she urged the US to reconsider in private. Olivier Wormser, French representative, told Dillon that as long as there was an escape clause as had already existed in the OEEC, and rule of unanimity was maintained, there was fundamentally no difference between an organ with decisional power and an organ of consultative nature.

It should be noted that the question was not only of procedure but of substance. For those countries which advocated a strong (even if remodeled, to their discomfort) organization, the result achieved under the

OEEC Code of Liberalization was to be protected at all cost. Discussion about the nature of the new organization was not at all theoretical; it was judged fundamental to their economic interests. On the US side as well, it was a difficult issue since it involved the administration's relations with Capitol Hill. If the new charter has to obtain the ratification of Congress, the administration was certainly walking a tight rope.

Thus, it was the US, who ceded by agreeing to the decisional power of the new organization. It was after all in their interest to do so, as their fundamental aim was to produce a strong organization. Still, it required the decision of the US administration.<sup>19)</sup>

### (3) Trade Problems

As one US official acknowledged, trade problems were the key in the negotiations to transform the OEEC. The problem was a complex one and had the effect of aggravating the whole atmosphere surrounding the negotiation process itself.

On the one hand, there was a conflict opposing EEC member countries to EFTA member countries. The latter wanted to advance the discussion on European Free Trade Area (especially Switzerland and Sweden) and hoped that the reconstituted organization would take up the matter as priority. Some thought that they were bent on destroying the EEC. Whereas EEC countries, especially France, did not wish to be lured into discussion about the problem of the Six and the Seven.<sup>20)</sup> Conscious of the fact that one of the distinctive features of the EEC was based on its common position on tariffs, and desirous of keeping the newly created community going for political reasons, EEC countries wanted in general to avoid any discussion of European wide trade relations at the new organization.

On the other hand, the problem of how to deal with the Code of Liberalization concluded at the OEEC was more complicated since it was

posed across the EEC and EFTA. The US did not basically like the Code of Liberalization, which was reached after laborious negotiations at the OEEC. From their point of view, any attempt at trade liberalization at regional level was not desirable; it would, by definition, have adverse impact on the US. The US government's position was clear: these matters should be treated at GATT. Only on multilateral and non-discriminatory basis, an agreement on trade could be accepted. France, which, at the time of the negotiation, had much difficulty in respecting the Code of Liberalization,<sup>21)</sup> was regarded with suspicion by many European countries including some of the members countries of the EEC, as wanting to water down the agreement reached at the OEEC. Thus the US attempt to avoid focusing on European regional trade was interpreted by some as reflecting a French design.

In the first draft which the US presented at the 13 Countries Meeting, the US proposed the creation of a Special Trade Committee along with the constitution of DAG. It called for a group of 13 countries with rather wide terms of reference. The Director-General of GATT should also be invited. The rationale for this proposition calling for wider-term of reference to discuss trade matters in general was the following: there are other places to discuss the problem of the Six and the Seven and the new organization should discuss matters pertaining to trade other than European regional problems. This draft resolution was supported by France, Italy, Canada, and the EEC Commission.

On the other hand, the UK presented another draft resolution with opposing content. It called for a group consisting of all 20 countries with limited terms of reference to concentrate on discussion of the problem of the Six and the Seven. The UK resolution was supported by Denmark, Sweden, and Switzerland. On the final analysis a compromise was made to set up a committee composed of 20 countries to "examine... as a matter of

priority, the relationship between the E.E.C. and the E.F.T.A. with due regard to the commercial interests of third countries and the principles and obligations of the G.A.T.T.”<sup>22)</sup>

During the negotiation, which followed the Wise Men Report, the US agreed reluctantly to the setting up of a Trade Committee within the new organization in which discussion including the problems related to the Six-Seven relations should be held. John Tuthill, US representative to the Working Party, charged with the drafting of the new charter, commented to Swiss officials; “the United States had already made considerable concessions on trade matters in agreeing that the new organization should have a trade committee and provide for consultation on trade policy. In fact the United States had made concessions which disturbed some other European countries, and some officials in the United States felt that we had gone too far.”<sup>23)</sup> If the US made concessions on trade matters, it was in reaction to the passions aroused in some European countries. The US government refrained from mounting a “diplomatic offensive” to pressure these opposing countries largely because it was judged that a good collaborative spirit was required of all parties to successfully launch a new organization.

During the last phase of the negotiation, the US officials decided to put pressure on France to concede. In the words of the US officials: “We have helped them a lot in their design. This time it is their turn to help us.” In the draft prepared by the Working Party, the US found to their dismay that too many pages were put to trade problems. Thus, US officials in Paris were instructed to bring modification so as to water down trade matters in the document.<sup>24)</sup>

## 2 Main Opposing Groupings

As we have seen, various conflicts of interest opposed the 20 countries. Turning from an analysis of conflicting issues, let us now turn to an analysis of principal groups of countries, which opposed each other during the negotiations to reconstitute the OEEC.

### (1) Atlantic vs Neutral Countries

The first of such conflicting groups is between the NATO countries and non-member countries. Those member countries of the OEEC, which were not inside NATO were: Iceland, Ireland, Switzerland, Austria, Sweden. Of the four countries, Austria had a particular difficulty arising from its status defined in an international treaty. Because of this constraint, and in the face of Soviet maneuvering toward East-West relaxation of tension (the Soviet Union formally made an application to enter the OECD), Austria remained cautious during the course of the negotiations even though its economic interests in view of the importance of its ties with Germany were at stake. It was rather with the Swiss and the Swedes that the issue of neutrality versus Atlantism came to a head. It remains that Sweden, Austria, and Switzerland consulted each other frequently during the negotiation. In this sense they formed a group.

It was undeniable that what the US had in mind was the creation of an institutional basis among the Atlantic countries to discuss economic matters which were gaining strategic importance. Thus, there were frequent mentions of an "economic NATO" in US documents. Some circles in Washington (both in and outside the government) advocated an "Atlantic Economic Area." Most of the "Europeanists" within the US government were thought to be sympathetic to this view. Although the US government stopped short of advocating publicly the Atlantic label to the new

organization for reasons of the diplomatic presentation of the new organization in front of the neutralist tendencies of some countries (the US decided to cease the same representation to the OECD and NATO for this reason), it was clear that the US was thinking along the lines of burden sharing among the allies.

Conflicts based on this cleavage did not come to a forefront, basically because the US government watered down the Atlantic coloring of the new organization to win public acceptance. However, in one area, the neutral countries overtly showed their suspicion if not their hostility. The creation of DAG, and then DAC, to deal with finance to developing countries was clearly seen by these countries as none other than burden sharing exercise among NATO countries.<sup>25)</sup> Also on one occasion, the neutral countries demanded the same number of the post of Deputy Secretary-General of the new organization as the NATO countries.

#### (2) Developed vs Less-developed countries within the OEEC

Within the OEEC, Greece and Turkey stand out as countries with far less economic power than other member countries. In this sense they formed a distinct group in their posture toward the negotiations. On the one hand, they stressed that they were not directly concerned with the conflict opposing EEC and EFTA and therefore in the same boat as the Americans and the Canadians. On the other hand, Greece and Turkey argued throughout the discussions that their low level of economic development necessitated particular attention of the new organization. Thus they feared that the new stress on development for the new organization might shift the attention (and the resources made available) of the member countries to other developing countries. It was for these reasons that they definitely wanted DAC to be in the OECD. They further wished that they be allowed in DAC, followed hopefully by other developing countries. By becoming themselves members of DAC, Greece and Turkey hoped to direct

attention of developed member countries toward their economic situations.

Other countries, especially Canada and Britain, were so afraid of shouldering the additional burden in helping these two less developed members, that they voiced, at one point or another, their opposition to see DAC integrated in the OECD. The US too, while sensitive to their arguments, was determined to start an effective mechanism of coordinating aid. They thus did not want to see changed the nature of this mechanism by having recipient countries beginning with Greece and Turkey in DAC.

In addition to the Technical Assistance Committee which deals specifically with less-developed member countries, Greece strongly called for the establishment of a separate permanent committee composed of experts to coordinate activities related to less-developed member countries of the OECD.<sup>26)</sup> The US basically supported the Greek proposition and suggested instead the creation of a permanent group of experts on development problem in general (not limited to Greece and Turkey).<sup>27)</sup> This was to give birth to the Development Centre (a think tank devoted to development question). Another effect of the Greek insistence was the enlargement of the scope of the newly envisioned Economic Committee, to be renamed Economic and Development Review Committee, at the suggestion of the UK, in an effort to placate the Greeks.<sup>28)</sup>

### (3) EEC vs EFTA

During the negotiations, the EEC countries and EFTA countries confronted each other on many occasions. EEC countries generally took the position that the OEEC needed to be completely reformed while EFTA countries tried to safeguard the essentials of the OEEC. And especially on matters related to trade, EEC countries generally took the view that the OECD should not concentrate on the issue of the Six and the Seven, whereas EFTA countries seemed keen on focusing on this issue.

However, behind the clear-cut image of the opposing two camps, what

was most characteristic during the negotiation process was the internal division of each camp, especially of the EEC.

Within EFTA, the hard-liners were Sweden and Switzerland, whereas Denmark and the UK tended to be more moderate. It happened that all the neutral countries in the OEEC belonged to EFTA. Indeed, these countries which preferred to abstain from any regional organization involving customs union,<sup>29)</sup> were those countries with dense trade relations with the Common Market. There derived a tendency to be opposed to the development of the EEC, which in their view, tended to exclude them from commercial benefits. Thus on most issues Sweden and Switzerland tended to be in the front line to oppose what they saw as an EEC led maneuver to transform the OEEC. The UK, though the leader of EFTA camp, saw an interest in the new organization to attenuate the division between the Six and the Seven, hopefully with the help of the US. Thus the UK seemed torn between its position as the leader of EFTA and its desire to see the endeavor succeed. The UK took discreet posture during the negotiation and often exercised a moderating influence with hard-liners within its own camp.<sup>30)</sup> Denmark, for historical and geographical reasons, tended to take less confronting attitude, and thus brought her in the position of arbiter.

On the other hand, the EEC side faced more serious internal division. France tended to be in the front line taking a hard-line attitude vis-à-vis EFTA countries. French position was more or less supported by Italy and to a lesser degree Germany, with the US blessings. However, the Netherlands and to a lesser degree Belgium often showed dissatisfaction with the French. They tended to take closer positions with EFTA countries for they favored more or less a European Free Trade Area to realize their commercial interests.

The differing commercial interests of each member country were largely responsible for this internal feud. Denmark, member of EFTA, and the

Netherlands, member of the EEC, thus emerged as possible candidates for the top job at the new organization (both being acceptable from the other sides).<sup>31)</sup>

#### (4) "Small" Countries vs "Big" Countries

As noted in the preceding section, some of the difficulties surrounding the negotiations were not due to the sharp division between the EEC and EFTA. It was rather the question of how to take into account interests of small powers that proved to be the most difficult during the negotiations (these small powers include not only small European countries such as the Netherlands, Belgium, Sweden, and Switzerland but less developed member countries like Turkey and Greece). Since the question of less developed countries was treated in a preceding section, this section concentrates on Western European small countries.

That Sweden and Switzerland could mount resistance to a considerable degree during the negotiations despite their relatively small power status can to a large extent be explained by the fact that they enjoyed the sympathy of small countries across the EFTA/EEC groupings. Their anger focused on one country, France, which seemed, as in the past, intent on pursuing her interest without regard to other countries, including those normally in her camp (it is true that they did not necessarily have the identical interests). Thus on the contentious issue of trade (what competence to be given to the new organization in the trade field) France was clearly isolated.<sup>32)</sup> Even the US, who for different reasons took similar lines, pressed France to soften her stance.<sup>33)</sup>

France, for her part, tended to favor a "directoire" style decision making. The influence of President de Gaulle was certainly perceptible. Her tendency was to seek great power status capable of speaking for Europe, representing other countries.<sup>34)</sup> It is true that for negotiation purposes this inherent tendency for great power dominance was somewhat moderated by

the need to enlist support of her partners in the EEC (notably Germany). But her hegemonic pretense was disliked by many in other European capitals. A Swiss official even went so far as to say to John Tuthill, a senior US State Department official: "France is a hegemonic country. Traditionally Britain played the role of counterbalancing. But it cannot fulfill this role any more. We want the US to play that role."<sup>35)</sup>

Thus, in the end, the Big Powers (in this case the US and France) could not realize their preferred mode of decision making within the new organization. The US, hoping to bring about efficiency by strengthening the Executive Committee, and France, intent on keeping the status of a world power speaking in the name of the EEC, had to abandon their initial position, and at least officially had to be content with multilateralist mode of decision making.

## Conclusions

In lieu of conclusions, some general observations regarding the decision-making process and the outcomes are in order.

### (1) Decision-making process

In the case of the negotiations leading to the transformation of the OEEC, it was the US, France, and to a lesser degree the UK, which seemed to constitute a small circle of important actors. The first decision to transform the OEEC was taken at the Four Powers Meeting in December 1959, in which Germany was also represented, but its role thereafter was rather limited. Its status in the world arena then was still quite limited and the apparent division of opinion within Germany, with Ehrard favoring a rapprochement with EFTA countries, it was difficult for it to play active part in the negotiations. This study paints instead a picture where the US took a decisive lead while France took on the charge of leading the

negotiations in the front line. Besides, the UK played an important moderating role in the backyard.

It was unanimously acknowledged that the US took the initiative to begin the negotiations. It had to be the US, given the state of animosity surrounding the West European countries at the time. It was this impasse among European countries, which pushed the Europeans to approach the US in the first place. The US, for its part, had its own interest beside that of attenuating intra-European division, of asking for burden sharing to its allies and preventing discriminatory trade arrangement. The US left the negotiation feeling that their basic objectives were achieved. However, in order to achieve these goals, the US had to make certain concessions, which were not initially envisioned. The US had to accept that the new organization had to have a decision-making power. The US was also led to accept that the new organization should have competence in trade matters. It also accepted to confront its own policy in the field of general economic policy, trade policy, and aid policy in the context of peer review mechanism of the OECD. These were all accepted despite the initial misgivings of the US negotiators. They had to persuade other governmental departments in particular the Treasury and more difficult still the Congress to accept these compromises. Besides, they had to abandon Big Power centered mode of decision making as we noted earlier.

France was the most visible player on the European side. One British official wondered where "the sudden Atlantism of the French [had] come from." Indeed, it seems as though it was France who was most eager to bring in the US to the transformed OECD. French officials at the time were keen on gaining time for their "cherished baby," the EEC. It was judged necessary to widen the arena of discussion, to prevent the feud over the relationships between the EEC and EFTA from destroying the EEC. As long as the confrontation over European wide trade arrangement

continued to attract attention, the risk of division within her own rank (the Netherlands, Belgium, but also Germany) might well become uncontrollable. In trying to broaden the agenda, by including relations with developing countries and solving trade matters on a multilateral rather than on a European regional basis, French position corresponded to that of the US. France took the lead at every moment of the negotiations and did not hesitate to try to impose her will. Her power to act this way derived principally from being the leading country of the EEC, which continued to enjoy US support. Moreover, as the country directly responsible for breaking the European Free Trade Area (ETA) discussion, she was held responsible to take some actions. However, French activism was resented by many including those within the EEC.

The UK for its part seemed to prefer low-key diplomacy during the negotiations. In part, this cautious attitude derived from the failure of UK led negotiation over ETA (under the leadership of Maulding within the OEEC). In part, it was due to a difficult position she found herself in during the negotiations over the OECD. The UK, as the leader of EFTA camp, had to accommodate the hard-line opinions of Sweden and Switzerland to maintain cohesion of the group. At the same time, the UK government saw an interest in seeing the US joining the reconstituted OEEC and therefore success of the negotiation. In addition, the UK had agreed upon relinquishing its dominant position within the OEEC. Thus, the UK, on the whole, exerted a moderating influence with regard to Sweden and Switzerland and was credited with a constructive role by the US and a disappointing role by the two EFTA countries.

The negotiation process thus leads us to conclude that a minilateralist model of decision-making was at work,<sup>36)</sup> with the US and France playing the duo while helped by the UK. Indeed, the US, conscious of the identity of interests with France, informed France of its intentions at each stage of

the negotiations. However, our analysis of decision-making would be incomplete if we did not pay due attention to the constraints faced by the main players. It was notable that such small countries as Sweden and Switzerland were able to affect the negotiation. They were in a sense responsible for pulling the US deeper into the new organization (acceptance of decision powers and trade competence for the organization as well as submission to scrutiny by its partners of its own economic, trade, and aid policies).<sup>37)</sup> The influence of these two countries constituted a real constraint on the minilateralist (great-powers centered) model of decision-making.

## (2) Outcomes

Out of intense negotiations was born an organization, which possessed certain distinctive features. One was the ambiguous nature of the organization: no longer a European regional organization, and neither an Atlantic organization nor a closed club of rich nations. Another was an addition in the title of the organization: "development" (OECD). How can we explain these outcomes based on our analysis so far of the negotiation process?

That the newly reconstituted organization did not become an "economic NATO" can be understood by the choice of institutional reorganization rather than of the creation of a completely new organization. The modeled organization, the OEEC, included in its rank, neutral non-member countries of NATO. It was thus excluded from the beginning that the endeavor leads to an Atlantic organization. Besides, the fact that the Soviet Union made an application to join the OECD, even as a maneuver, made the US more vigilant in regarding the nature of the organization. Further, the insistence that Japan be included in DAC (with Japan's membership in the OECD implicitly admitted), even geographical basis for "Atlanticity" could not be maintained.

If the OECD cannot be taken as an Atlantic grouping, it cannot be taken as a grouping often referred to as the “club of rich nations,” either. It is common (less common these days with the enlargement) to identify industrialized countries as “OECD countries.” However, the inclusion of countries like Turkey, Greece, and Iceland made difficult this categorization from the beginning. Besides, in an era of decolonization, to attempt to form an exclusive grouping of rich countries was seen as politically not feasible.

If the ambiguous nature of the organization continued after its reorganization, one notable change occurred in the naming of the organization. It is the addition of the word “development” in the title of the organization. In a way this reflected the changes brought about in the new charter: development assistance figures prominently there. It seems that it was an Italian official who first suggested the naming “OECD,”<sup>38)</sup> but it was the Americans who took the lead. Although the UK (especially the Treasury) was initially hostile to the inclusion of development in the title because it was feared it would tone down other aspects of the organization which were judged more important by the British.<sup>39)</sup>

If we go further than the semantic origins of “development,” the role of Greece and Turkey (and to a lesser degree Spain and Portugal) comes to mind. They are the ones who consistently reminded other countries that relations with developing countries should occupy foremost attention in the attempt to reshape the OEEC. It was of course in order to draw attention and eventually the resources of the other members that Greece and Turkey basically insisted on the importance of this issue. However, their existence within the organization, coupled with the dynamics of the negotiation process produced the “development” substance of the new organization.

One of such dynamics was the coincidence in the strategies of the two leaders (the US, France). They both attached importance to the question of aid to emerging developing countries (though for different reasons).<sup>40)</sup> The

US, for burden sharing purposes, and to “sell” the new organization to the Congress, needed an outward-looking posture.<sup>41)</sup> For this, “development” was just such label required for. France on the other hand, wanted also “outward-looking” in order to shift the attention away from regional affairs.<sup>42)</sup> “Development” was thus judged useful as “something new.”

Another dynamic at force in bringing out development dimension to prominence was the resistance mounted by small powers (Nordic countries and Benelux countries). For supposedly tactical reasons, these countries often supported the positions taken by Greece and Turkey.<sup>43)</sup> It should be recalled that the US draft position was changed to accept 4 members instead of the 3 members in the “Wise Men” as initially envisioned. as a gesture of compromise toward small countries. The presence of a Greek representative in the “Wise Men” had a non-negligible impact on the outcomes.

It was thus the dual combination of the negotiation (the composition of the organization and the dynamics of bargaining) and the background of decolonization that brought the question of “development” to the forefront of industrialized countries’ reorganization effort. That this prominence given to the issue of development was to prove largely theoretical constitutes another history.

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- 1) "Statement by the Secretary of the Treasury, Douglas Dillon, before the Senate Foreign Relations Committee on Ratification of the OECD Convention, Tuesday, February 14, 1961"; Bureau of European Affairs, Office of European Regional Affairs; Alpha-numeric files, 1948-1963; General Records of the Department of State; RG 59; National Archives at College Park, MD (NACP), U.S.A.
- 2) On the origins of these efforts, see in particular: Richard T. Griffiths, "'An Act of Creative Leadership': The End of the OEEC and the Birth of the OECD," in Richard T. Griffiths ed., *Explorations in OEEC History* (Paris, 1997), pp. 235-256; Pascaline Winand, *Eisenhower, Kennedy, and the United States of Europe* (New York, 1993), pp.128-137.
- 3) *Department of State Bulletin*, February 1, 1960, p.146. The eight countries are: Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, and the United States.
- 4) US Assistant Secretary of State, Edwin M. Martin, noted that "London, Paris, Bonn, and Ottawa, indicated reservations concerning Japanese participation, at least at the first meeting." He also stated that "the Japanese Embassy gave the impression of Japanese hesitation to join the DAG." This necessitated clarification of Japanese position before "we pursue pressuring the Europeans to agree to an invitation to Japan." "Memorandum from the Assistant Secretary to the Under Secretary," February 10, 1960; European Bureau, OECD; State Department Central Files, 374.800/2-1060; RG59; NACP.
- 5) The UK government came to endorse US positions at the last moment but Canada remained opposed to the incorporation of DAG into the OECD. "From Paris to Secretary of State," July 7, 1960; European Bureau; State Department Central Files, 374.800/7-760; RG59; NACP.
- 6) Christidis of the Greek government in an interview with the Group of Four stated that he "felt strongly that the work of DAG should eventually be incorporated into the new organization" and that "arrangements should then be made for the appropriate representation of less-developed countries." He further stated that "to maintain the DAG outside a reconstituted OEEC would appear as an attempt by capital exporting countries to dominate and impose their decisions on the less-developed areas." "From Paris to Secretary of State," February 24, 1960; European Bureau; State Department Central Files, 374.800/2-2460; RG59; NACP.
- 7) The US positions are stated in "From Secretary of State to Paris," July 13,

- 1960; European Bureau; State Department Central Files, 374.800/7-1360; RG59; NACP.
- 8) "Anglo-German Economic Committee (Eleventh Session: Frankfurt January 24-26, 1961). Aid to under-developed countries"; CO852/1920; Public Record Office (PRO), Kew Gardens, UK.
  - 9) J. Kirk Knapp of the IBRD in a meeting with US Under-Secretary of State George Ball reported the remarks of Douglas Dillon in the following way. "...historically consideration had been given to three possible areas of DAC activity; the first is burden-sharing, the second is the discussion of principles of administering aid, and the third is the coordination of aid programs for individual countries. Mr. Dillon...had said that the first and the third areas were ruled out. This left only the second area, and no doubt we have now run out of discussion on this subject... DAC has since shifted into burden sharing..." "Memorandum of Conversation," October 13, 1961; European Bureau, OECD; State Department Central Files, 374.800/10-1361; RG59; NACP.
  - 10) The governments and organizations represented at the meeting on January 12 and 13 were: Belgium (EEC), Canada, Denmark (EFTA), France (EEC), Germany (EEC), Greece, Italy (EEC), Netherlands (EEC), Portugal (EFTA), Sweden (EFTA), Switzerland (EFTA), United Kingdom (EFTA), United States, and EEC Commission.
  - 11) The "inspirator" of the OECD, Jean Monnet was thinking about putting his associate, Robert Marjolin, Vice President of the EEC Commission, on the group, in the hope that the EEC would act as one. The US apparently supported this idea. "Note pour le ministre, a.s. Position américaine," Direction des Affaires Economiques et Financières, le 7 janvier 1960 ; CE/DE 45-60, v.801 ; Archives du Ministère des Affaires Etrangères, Paris, France.
  - 12) The nominated members are: W. Randolph Burgess (US), Sir Paul Gore-Booth (UK), Bernard Clappier (France), and Xenophon Zolotas (Greece). The nomination of these government officials disappointed Jean Monnet, who wanted the "Wise men" to be independent from national governments. Besides, the fact that the EEC was not able to speak in one voice by nominating a member of the Commission (Robert Marjolin) led him to lose interest in the project. Winand, *Eisenhower, Kennedy*, p.132.
  - 13) "Minutes of Special Economic Committee held in Paris on January 12 and 13, 1960," DE/CE 45-60, v.804, Archives du Ministère des Affaires Etrangères.
  - 14) *Ibid.*

- 15) According to a memorandum presented to the President Eisenhower by Secretary of State Christian Herter dated November 24, 1959, the US aims at modifying the organizational structure of the OEEC were: "(a) alter the existing pattern of U.K. preeminence in the organization, (b) give the OEEC greater direction through the establishment of a limited Executive or Steering Group." "Proposal for U.S. Membership in a Reorganized OEEC"; Dwight D. Eisenhower, Papers as President of the United States, 1953-61 (Ann Whitman File); Dulles-Herter Series; Box no.12; Dwight D. Eisenhower Library, Abilene, Kansas, U.S.A.
- 16) Winand, *Eisenhower, Kennedy*, pp.132-136.
- 17) "Note," le 14 décembre 1959; DE/CE 45-60, v.801 ; Archives du Ministère des Affaires Etrangères.
- 18) "Minutes of Special Economic Committee held in Paris on January 12 and 13, 1960," DE/CE 45-60, v.804, Archives du Ministère des Affaires Etrangères.
- 19) On February 26, 1960, US Under Secretary of State Dillon, on his return from the Paris Meeting in January remarked to the question by Lithgow Osborne of the Atlantic Unity that "the major problem was here at home rather than in negotiating with the Europeans." He further stated that "we have to convince Congress that decisions taken by the new organization would not conflict with U.S. legislation and that the act of authorizing U.S. participation in the organization would not transfer any power from the Legislative to the Executive Branch." "Memorandum of Conversation," February 26, 1960; State Department Central Files, 374.800/2-2660; RG59; NACP.
- 20) The French chief negotiator Olivier Wormser stated that "OEEC has no juridical basis for attempting to resolve the problem of a European-wide FTA. To speak of the problem of the Six and the Seven was incorrect. One problem was that of trade relations between the Six and other GATT Contracting Parties. Another problem was that of the Seven and other GATT Contracting Parties. Both of these were matters to be dealt with in GATT, and not in OEEC or its successor." "From Paris to Secretary of State," February 17, 1960; European Bureau; State Department Central Files, 374.800/2-1760; RG59; NACP.
- 21) On French policy toward Europe during this period see especially a series of studies by Gérard Bossuat: "Le choix de de la petite Europe par la France (1957-1963): Une ambition pour la France et pour l'Europe", *Relations internationales*, no. 82 (été 1995), pp. 213-235; "La vraie nature de la politique

- européenne de la France (1950-1957)" dans *La Relance européenne et les traités de Rome: actes du colloque de Rome, 25-28 mars 1987* sous la direction de Enrico Serra (Bruxelles, Milano, Paris, Baden-Baden, 1989), pp. 191-230.
- 22) Special Economic Committee, January 12, 13, 1960, "Resolution on Certain Trade Problems," *Department of State Bulletin*, February 1, 1960, p.146.
- 23) "From Bern to Secretary of State," June 23, 1960; European Bureau; Department of State Central Files, 374.800/6-2360; RG59; NACP.
- 24) "In our view you should attempt [to] persuade others of desirability for presentational reasons giving roughly equal treatment in Convention...to three major objectives of OECD. Do not think it would be advisable [to] give impression in OECD countries and elsewhere that trade function [was] more important than aid and economic policy functions." "From Secretary of State to Paris," November 4, 1960; European Bureau; State Department Central Files, 374.800/11-460; RG59; NACP.
- 25) The neutral countries' position on DAC was complicated: they wanted to focus on European trade problems at the new organization (therefore the separation of DAC) and they did not want to carry on additional burden of aiding Greece and Turkey (separation of DAC), but they did not favor creating an Atlantic creditor nations' club. Sweden rather wanted DAC to be separate from the OECD whereas Switzerland opted for the integration in order to control the activities of DAC effectively through the OECD Council in which she was represented. "Note," le 23 novembre 1960, DE/CE 1945-60, no.317; Archives du Ministère des Affaires Etrangères.
- 26) "From United Kingdom Delegation to O.E.E.C. to the Foreign Office," October 30, 1960; FO371/150252; PRO.
- 27) "United States representative said that he had an alternative suggestion to make, namely that a permanent group of experts should be established to advise the Secretary-General on development problems..." The Greek representative was reportedly not enthusiastic about the US idea. "From United Kingdom Delegation to O.E.E.C. to Foreign Office," November 11, 1960; FO 371/150252; PRO.
- 28) "From Foreign Office to United Kingdom Delegation to O.E.E.C. Paris," November 14, 1960; FO 371/150252; PRO.
- 29) On the neutral countries' policies (and other EFTA countries' policies) see: Wolfram Kaiser, "Challenge to the Community: The Creation, Crisis and Consolidation of the European Free Trade Association, 1958-72," *Journal of*

*European Integration History*, vol. 3, no. 1 (1997), pp. 7-33.

- 30) The French side noted that they had shared a common position on most issues except export credit with the UK. "Note," le 23 novembre 1960; DE/CE 1945-60, no.317; Archives du Ministère des Affaires Etrangères.
- 31) The first Secretary-General was Thorkil Kristensen, former Finance Minister of Denmark and the second Secretary-General (1969-1984) was Emile van Lennep, former Treasurer-General of the Netherlands.
- 32) The French side admitted in their internal note that the fundamental division during the negotiations was not between the EEC and EFTA. They noted that for "small" countries the OEEC Code of Liberalisation was the single most effective means of protecting their commercial interests vis-à-vis "big" countries. "Note," le 23 novembre 1960; DE/CE, 1945-60 no.317; Archives du Ministère des Affaires Etrangères.
- 33) "We believe we have pressed most European countries about as hard as we can and that we have been of great assistance to French in furthering our mutual interests. In our view, time has come for French to help us resolve trade dilemma." "From Secretary of State to Geneva (Dillon)," July 12, 1960; European Bureau; State Department Central Files, 374.800/7-1260; RG59; NACP.
- 34) The role played by President de Gaulle is not well documented. As reported by Hervé Alphand, the French Ambassador to Washington, for the French President, an international organization was a "méli-mélo"(jumble). Hervé Alphand. *L'étonnement d'être* (Paris, 1977), p.322. However, the remodelled OECD appeared as inter-governmental in nature thus conforming to the basic orientation of Charles de Gaulle. Besides, the French government's strategy of incorporating the US into Europe was in line with De Gaulle's thinking of the time. According to a French diplomatic historian, France under De Gaulle initially tried to gain dominating influence within Europe by establishing herself as the privileged interlocuter with the US (and then using this dominant position in Europe to establish French autonomy with regard to the US). Georges-Henri Soutou, *L'alliance incertaine. Les rapports politico-stratégiques franco-allemands, 1954-1996* (Paris, 1996), p.131.
- 35) "From Bern to Secretary of State," June 23, 1960; European Bureau; State Department Central Files, 374.800/6-2360; RG59; NACP.
- 36) On the concept of minilateral cooperation within multilateral institutions, see Miles Kahler, "Multilateralism with Small and Large Numbers," *International Organization*, 46 (1992): 681-708.

- 37) An American writer observed in the following way. "In recognition of the strength of the small countries' feelings, the Wise Men had gone considerably beyond the purely consultative organization that the United States had originally advocated, and the institutional arrangements and the voting provisions outlined in their report generally followed the OEEC pattern." Miriam Camps, *Britain and the European Community 1955-1963* (London, 1964), p.269.
- 38) "From Paris to Secretary of State," March 30, 1960"; European Bureau; State Department Central Files, 374.800/3-3060; RG59; NACP.
- 39) "Memorandum by R.W. Jackling," March 23, 1960; FO371/150087; PRO.
- 40) For an interesting account of French policy in this regard, see René Girault, "La France entre l'Europe et l'Afrique," dans *La Relance européenne*, pp. 351-378.
- 41) "On several different occasions we have told Congress that U.S. has urged reconstitution of OEEC in OECD in order [to] change emphasis from regional economic organization concerned in large measure with trade and payments to outward-looking organization with major functions pertaining [to] economic policy and aid to less-developed countries." "From Secretary of State to Paris," November 4, 1960; European Bureau; State Department Central Files, 374.800/11-460; RG59; NACP.
- 42) The US member of the Group of Four, Randolph Burgess, transmitted in a personal message to Dillon and Anderson (Treasury Secretary) the following remarks of Bernard Clappier of France: "...if this significant area [aid to less-developed areas] were not to be within area of responsibility of new organization, it would lose its 'outward looking' significance." "From Paris to Secretary of State," February 23, 1960; European Bureau; State Department Central Files, 374.800/2-2360; RG59; NACP.
- 43) The US Delegation in Paris reported "the pressure presently being exerted by several countries, notably the Swedes and Danes, for the enlargement of DAC." "Organization of OECD with Respect to Aid to Less Developed Countries," August 20, 1960; European Bureau; State Department Central Files, 374.800/8-2060; RG59; NACP.