Multinational corporations and European integration: The case of the automobile industry, 1959-1965

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This paper is a contribution to understanding the role that European multinational corporations played in the process of European integration. Taking the case of the automobile industry, it demonstrates that European regional integration subordinated trade liberalisation to the economic and social interests of Member States of the European Economic Community (EEC) and their major national automobile corporations. It starts by questioning the real extent of trade liberalisation within the EEC. Then, it goes into analysing the role of European multinational corporations in the dismantling of quantitative restrictions and the reduction of tariff barriers during the first and second stage of the Common market (1959-1965). It briefly points out to the components of the neo-protectionist nature of the common market during this period: fiscal barriers, technical standards and cartelisation of car distribution. The second part documents the role that French multinationals played in blocking the UK application to adhere to the EEC as a necessary condition for the success of this neo-protectionist strategy. It singles out the challenge of American multinationals in European soil and the construction of the European Welfare State through the role of state-owned companies as the major obstacles to a further intra-EEC economic liberalisation and enlargement.

European integration in the automobile sector needs to be set in the context of the history of the evolution of this industry's international political economy. There are at least two rival explanations concerning the evolution of international automobile trade and Foreign Direct Investment (FDI). Both views characterise the 1960s as crucial to understand the European industrial boom of this period. The first explanation represents it as the heyday of a world liberal commercial system caught between two protectionist periods. The export-led growth of the European automobile industry relied on the new liberal international regime in automobile trade and FDI, was sponsored by US foreign policy and tolerated by American multinationals interested in the progress of European liberalisation with the aim of a quick return to the free-movement of their investments. On this view, European trade liberalisation was part of a world trend towards economic liberalisation, sponsored by the US government that encouraged the elimination of tariffs and quotas between major countries.[1] American pressures did not originate in the economic interest of American Corporations themselves. Instead, they were politically-induced by American Cold War policies and European economic policies that encouraged these transfers through the end of the decade, at which point European nation-states, frightened by a prospective loss

1. P.F. COWHEY, E. LONG, *Testing theories of regime change: hegemonic decline or surplus capacity?*, in: *International Organization*, 2(1983), pp.157-188.

of economic sovereignty, became hostile to American investments.[2] Ford was closely involved in this process and encouraged it with the double objective of getting rid of old-fashioned protectionism and creating a transatlantic community united by conservative anti-Communism, encouraging the creation of the European Committee for Economic and Social Progress (CEPES) with the support of other US multinationals present in Europe and of conservative European business circles led by FIAT.[3] From this perspective it would be logical to conclude that the USA and its major automobile firms were among the major engines of the European Common Market, which they both anticipated and encouraged by political reasons.

A second explanation has concluded that the international trade regime in the automobile sector during this period was not that of a liberal phase intervening between two protectionist ones but rather a phenomenon that participated in a continuum of embedded liberalisation. Any temporary change in the international opening or closing of trade and FDI in the automobile sector was subordinated to the political and social stability of trading countries and not to any foreign policy constraint imposed externally by the American hegemon. The different forms of protection depended upon the inward-looking developmental automobile policies of nation-states, which regulated supranational commercial schemes just as much as national markets.[4] Along these lines, major contributions concerning the origins of the European Economic Community (EEC) have focused on national developmental strategies that relied upon integration as a device to guarantee the construction of the European Welfare State in the face of domestic and external threats to national sovereignty. In the automobile sector this meant the development of increasing State intervention through domestic micro-industrial policies and national champions. These policies required neo-mercantilist commercial practices encouraging intra-branch trade within the EEC countries and protected the automobile industry from the unstable cycles of the American market. Germany was at the centre of the success of the EEC as its automobile industry successfully exported towards competitive markets in America and European countries.[5] This has been confirmed for the Italian case in the early days of European integration; Italy's success derived from the combination of a clear export strategy towards European markets by automobile firms aided by the Italian state through subsidies, fiscal rebates and the preservation of a sheltered domestic market sealed by quotas and high tariffs.[6] Business historians have recently put into question that political or ideological reasons had motivated American automobile

2. J. McGLADE, *Le rôle des multinationales dans l'essor du pouvoir économique américain dans le monde depuis 1945*, in: *Relations Internationales*, 94(1998), pp.199-217.
3. S. RAMÍREZ-PÉREZ, *The European Committee for Economic and Social Progress: Business networks between Atlantic and European Communities*, in: *Transnational Networks in Regional Integration: Governing Europe 1945-1983*, Palgrave-MacMillan, Houndsmill, 2010, pp.61-84.
4. J.A. DUNN Jr, *Automobiles in international trade: regime change or persistence*", in: *International Organization*, 2(1987), pp.225-252.
5. A.S. MILWARD, *The European rescue of the Nation-State*, Routledge, London,1992, chapter 7.
6. R. RANIERI, *Italian industry and the EEC*, in: A.S. MILWARD, A. DEIGHTON (eds), *Widening, deepening and acceleration; The European community 1957-1963*, Nomos, Baden-Baden, 1999, pp. 189-193.

multinationals to invest in Europe For example, research in the European history of Ford clearly shows that the American multinational had economic reasons to increase its FDI in Europe. It was originally linked to the strategic decision to launch a new small car in Europe and the USA market, but only produced in Europe. The objective was at first to repeal the offensive of European firms in its domestic market and later, to profit from the creation of a pan-European integrated market.[7]

This paper sheds some light on these debates by dealing with three major issues concerning the transition period towards the Common Market and early European policies in the automobile sector. First, what exactly was the impact of the transition towards the Common Market in the automobile sector during the sixties? Second, what was the role of large European corporations and American multinationals in the process of European integration in this sector? Third, did the Treaty encourage a liberal or neo-protectionist stance? While this paper focuses on evidences coming from French and Italian archives, it also provides an overview of European industry taken as a whole by means of a chronological account that deals successively with the two first stages of Common market acceleration.

The unachieved construction of the common market

The Common Market project established by the Treaty of Rome of 1957 had two major dimensions. Internally, it aimed at the elimination of customs duties, quantitative restrictions and other equivalent measures.[8] Externally, it sought to establish a common commercial policy based on a common external tariff replacing progressively those of Member States. Automobile quotas had been the major obstacle for European pan-trade in this sector as well as the greatest barrier in the path towards establishing the Common Market. The transformation of bilateral quotas into EEC-wide quotas before their complete removal between EEC countries was expected to open the way for the dismantling of tariff duties between member-states in a three-stage period of twelve years. The final objective of this removal of tariffs and non tariffs barriers was to enhance the progressive expansion of intra-EEC automobile trade with the creation of a customs union which was the first step towards establishing a common market.

The Member States had fixed in the Treaty itself a threshold which served to measure this accomplishment. Thus, article 33.3 provided that in the case of a late removal of quotas the market share of imports from EEC countries after ten years

7. S. TOLLIDAY, *American multinationals and the impact of the Common Market: cars and integrated markets 1954-1967*, in: *Deindustrialisation and reindustrialisation in 20th century Europe,* Franco Amatori et al., Milan, 1999, pp.383-393; Idem., *The origins of Ford of Europe: from multidomestic to multinational corporation: 1903-1976*, in: H. BONIN, Y. LUNG, S. TOLLIDAY (eds), *Ford, 1903-2003: The European history,* vol.II, ETAI, Paris, 2003, pp.178-190.
8. W.A. BRUSSE, *Tariffs, Trade, and European Integration, 1947-1957*, Saint Martin Press, New York, 1997.

should reach in each Member State a level of at least 20 percent of national production. This percentage was considered as the minimum acceptable yardstick set up by the Treaty for measuring the success of the transition towards the Common Market, conceived as a carefully-piloted liberalisation. However, this explicit objective was never attained in producing EEC countries. Instead, the liberalisation level hovered around 10% (see Table 1).

Table 1: Cars and commercial vehicles in major EEC countries

Production (PR); Imports (I) in thousands; % of imports on production (I/PR %); EEC annual production growth in percentage of the previous year[9]

	FRG			France			Italy			EEC
	PR	I	I/PR %	PR	I	I/PR %	PR	I	I/PR %	PR
1958	1 495	65	4%	1 127	10	1%	404	6	1%	3 026
1959	1 719	117	7%	1 283	14	1%	501	12	2%	3 503
1960	2 055	92	4%	1 369	30	2%	645	21	3%	4 069
1961	2 148	100	5%	1 244	88	7%	759	39	5%	4 151
1962	2 357	168	7%	1 536	122	8%	947	105	11%	4 840
1963	2 668	137	5%	1 737	165	9%	1 180	205	17%	5 585
1964	2 910	189	6%	1 641	180	11%	1 090	127	12%	5 641
1965	2 976	280	9%	1 642	170	10%	1 175	111	9%	5 793
1966	3 051	360	12%	2 024	213	11%	1 366	125	9%	6 441
1967	2 482	341	14%	2 010	213	11%	1 543	153	10%	6 035
1968	3 107	408	13%	2 076	318	15%	1 664	195	12%	6 847
1969	3 605	515	14%	2 459	397	16%	1 596	270	17%	7 660
1959-1968	25 473	2 192	9%	16 562	1 513	9%	10 870	1 093	10%	52 905

This statistical picture is that of a set of carefully regulated national cartels with ups and downs in actual import penetration rather than that of a progressively liberalised supranational Common Market. A detailed qualitative analysis will conclude that EEC liberalisation in the automobile sector was not an unfettered economic process but rather a transition towards a preferential discriminatory customs union guided by the economic interests of Member States and their major industrial businesses.

1959-1961 Quota removal and the first achievements of the Treaty of Rome

The differing import levels of producing countries were a major feature of this period. During the 1950s, automobile products and parts figured among the most important sectors that the Organisation for European Economic Cooperation (OEEC) had not succeeded in liberalising. These automobile quotas originated in the thirties and became the major protective device used by all European countries to block automobile

9. ASSOCIAZIONE NAZIONALE FRA INDUSTRIE AUTOMOBILISTICHE (ANFIA), *Automobile in cifre*, Torino, 1995.

imports.[10] France was the quota champion and used them for built-up cars, tractors and trucks but also for assembly kits and automobile parts. For the French Minister of Industry this protective device was the most efficient way to maintain a strong degree of control over access to its markets as tariffs were considered inefficient to control the dumped prices of the cars and trucks manufactured by European subsidiaries of American multinationals. Quotas in parts had been used during the 1950s to limit the possibility that multinationals such as Ford France or SIMCA (FIAT-owned) could transform their French industrial facilities into mere screw-driver factories for kits coming from Germany and Italy.[11] In Britain, quotas had served in the preservation of an internal market for domestic producers who had been asked by the state to give priority to exports. The third quota champion was Italy, which in 1951 had toyed with the idea of finishing with them unilaterally but quickly backed down with the onset of a massive import wave.[12] In Belgium, the automobile industry also had quotas on cars but, as in the case of Italy, it had liberalised the import of parts in order to become the spearhead of transatlantic assembly facilities of American-made kits and of French exports towards the American market.[13] The only exception in this field was Germany, which had given up quotas in the mid-1950s in the hopes of convincing the rest of OECE countries to follow its example.

In its articles 32 and 33, the Treaty of Rome had automatically frozen this situation as the OECE sought to consolidate gains among Member States and assure a smooth transition towards quota removal. In 1959, all bilateral quotas between EEC members were obliged to become global quotas open to all members without discrimination. The automobile quotas were among those cases considered as severely locked because they amounted to less than 3% of national production. In these cases, the Treaty provided for a slower liberalisation: countries would reach this 3% in 1959 and then to 4% in 1960 and 5% in 1961. An increase of 15% would be made yearly in such a way that, by 1968, each quota would be equal to at least 20% of national production. When the available quota for one product had not been fulfilled in at least two years, the European Commission could accelerate the pace by asking Member States to put an end to the quota. This was a means to avoid administrative protectionism in the assignment of quotas even when all states had endorsed in article 35 of the Rome Treaty the unilateral higher-speed liberalisation when the general economic situation and that of the sector permitted.

This general commitment of nation-states to the Treaty's application did not seem to have been extended to the automobile sector. Protected national industries were not ready to do without quotas and tried to distort the Treaty's application and delay

10. A.S. MILWARD, *Britain's place in the World*, Routledge, London, 1998.
11. DIME [Direction des Industries Mécaniques et Electriques], René Lescop to Comité Boissard, 30.06.1955; AN [Archives Nationales de France, Fontainebleau], MIN. IND. [Ministère de l'industrie], box 771523 (47), Jean Courtot (DIME), Section Automobile et Cycle (hereafter AC) to Vavasseur (AC), 02.09.1955.
12. V. CASTRONOVO, *Fiat 1899-1999*, Rizzoli, Milano, 1999, p.875.
13. MIN. IND. b.771523 (24), OECE, Comité de l'Équipement, Études d'intégration, industrie automobile, 1952-1955.

its removal from the outset. This can be concluded from the discussions carried out at the beginning of 1958 by the newly-created European lobby, the Liaison Committee of the Automobile industry of the European Communities (CLCA), representing individual producers and national federations alike.[14] Conflict over whether to interpret the Treaty in a liberal or protectionist manner was apparent in the different positions adopted by the automobile industries of each Member State. The liberal stands within the European lobby were represented by Belgium and sometimes also the Netherlands. It was particular to those countries which had come to host an increasing array of American and British assembly factories producing for Continental import. More concretely, the Belgian delegation was headed by the representatives of General Motors and Ford in Belgium. They advocated an increase of imports by calculating the quota on the basis of the 1958 automobile imports, and opening a single quota for both EEC countries and non-EEC countries. Anti-trust article 85, which forbade any restrictive cartel agreement, was put forward to guarantee against discrimination between EEC and non-EEC products on the grounds that it would result in an anti-competitive market-sharing exercise. Accepting this position suggested by Belgian carmakers would have meant that, just as much as EEC imported cars, non-EEC cars, either built-up or assembled in Europe, could also enter within the protected borders of France and Italy. The automobile industries from these two countries naturally represented the protectionist position. They preferred to define quotas as an increase in the value of imports made in 1956 with a distinction between cars and trucks and the exclusion of extra-EEC cars from the enlarged EEC-quota. The French and the Italians used the article 13 of the Treaty, which refers to the elimination of tariffs only between Member States, to justify this discrimination to include automobiles coming from non-EEC countries in the new multilateral quotas.

Appeals to different parts of the Treaty of Rome – that dealing with Competition and that with Customs Union – clearly showed the ambiguity and flexibility of its legal formulation, one that allowed different political and economic conclusions to be reached depending on the political consensus between Member States. The restrictive and protectionist Franco-Italian position won the match with the support of the Germans, except for some minimum details such as the reference year (1958) and the criterion of quota-sharing, which was figured according to national customer demands instead of previous records. The support of liberal Germany may be explained on the grounds that discrimination against non-EEC countries would encourage an increase in American FDI and Ford investments on its soil, tending to give Germany an edge on Britain in catering to the Italian and French markets. The Commission's stand also confirms a protectionist and discriminatory application of the Treaty. The Director General of Internal Trade and future Commission President, François-Xavier Ortoli, was crystal-clear on this point, taking the side of the three major EEC producers in the face of Dutch warnings that the British and Canadian governments could bring this issue to the GATT:

14. MIN. IND. 771525 (44), Compte-rendu de la réunion du Comité de Liaison des Associations des industries automobiles des pays de la CEE, 14.03.1958.

> "Why should we satisfy Great Britain and not EEC Member States? Why not the opposite? Under GATT's and OECE's rules the EEC could give preference to its Member States".[15]

The fundamental discriminatory nature of the quota against future American, Canadian and British imports was achieved with national quotas against third countries remained in the hands of Member States.

Was this Franco-Italian insistence on protectionism the product of an ideological tradition or of pragmatic political reasons favouring national economic development? Given the arguments in favour of quotas put forward by the automobile unit of the French Ministry of Industry, one suspects the latter. Firstly, for French civil servants Great Britain and Italy had to put an end to their own quotas in order to give French automobile firms the possibility to compensate losses in their domestic market with new sales in these neighbouring markets. Second, some precaution was needed: the future impact of an accelerated opening of quotas to EEC production combined with the reduction of internal tariffs would have to be considered in its long-term consequences. The French pointed out that the only two countries without quotas, Germany and the USA, had resulted in loses of 10% of their domestic markets on behalf of imported automobiles. Thirdly, any acceleration in quota removal should be subordinated to changes in the economic conjuncture since any sudden recession could bring about the invasion of the French market by Italian and German cars. Last but not least, quotas were negotiating tools in bilateral relations with non-EEC countries and therefore still valuable in commercial agreements. They were used for example to give satisfaction to the American demand for the liberalisation of imports into France of luxury cars. However, this removal of quota protection was considered possible in the eyes of French bureaucracy as the future of protectionism against American-made models in France lay within its borders through the clearly discriminatory fiscal treatment for American-type cars, which had to pay a particularly high annual car tax (Vignette). The Vignette remained in place for the whole decade as a firm obstacle to the sale of models coming from the USA or Canada. Despite this liberal announcement, France had systematically rejected any concession on opening quotas also for imported American auto parts that might have permitted the assembly in Europe of kits by American multinationals.[16] All these arguments in favour of preserving quotas prove that the French State was not ready to put an end to them just because of any legal constraint from the Treaty of Rome, but rather that it was ready to retain them as long as its major regional rivals, Italy and Britain, preserved them, or otherwise all major exporter countries like the USA could have concentrated their export effort into the French market.

The first distribution in 1959 of the French automobile quota among European producers vividly illustrates that the Common Market did not encourage states with

15. MIN. IND. 771525 (48), Compte-rendu sommaire des réunions tenues à Bruxelles à la direction du commerce intérieur de la CEE.
16. Ibid., Note AC sur la libération des échanges, June 1959.

quotas to enhance intra-community trade. Instead, it legitimised shielding national markets from the introduction of foreign automobiles for some years (table 2).

Table 2: Evolution of French quotas to EEC countries

in French Francs (Millions)[17]

	1948	1957	1958	1959
Cars	130	2,829	2,655	6,722
Buses	4	112	99	270
Light Trucks	119	861	189	2,081
Heavy Trucks	Idem	Idem	214	1,491

Having succeeded in fixing the amount of the quota at 3% of total automobile sales value rather than in units, the new quota was insignificant for the dimensions of the French market. Additionally, the administration further reduced the quota's impact by calculating the value of the first French quota in old francs and then transforming it to the new devaluated franc. This confirmed the initial fears of the German automobile industry with regards to the EEC as its own market continued to be open to Italian and French imports. The largest European firm, Volkswagen, was carefully targeted as a major enemy of the mass-production models of France's two major producers, Renault and Citroën. Contrary to the spirit of the Treaty, the German firm suffered an openly discriminatory application of the quota, motivated by an explicit and conscious request made by the French Directorate for Foreign Economic Affairs (DREE) to the technical committee in charge of distributing import licences. To this end, the committee decided to use two criteria for quota-sharing: previous import records and the unsatisfied demand of French customers. Unfortunately for VW, the latter criterion was interpreted as licensing those kinds of luxury cars… not produced by French auto-makers. The expensive luxury models chosen were those manufactured by Mercedes, Alfa Romeo and Lancia with proportionally fewer Fiat cars and even less VWs and Opels. The Volkswagen public suggestion to use the production share of each producer in its own country as criterion for quota allocation was quickly dismissed. Thus, in 1959 France imported 14,000 cars, 44% of which were given to Italian manufacturers (22% to FIAT, 12% to Alfa Romeo, 9% to Lancia) and 56% to German ones(9% to VW, 11% to Daimler, 4% to Porsche, 11% to Opel). Not only this meant a similar figure of imported cars than in the 1951 quota, but it was aggravated by the fact that total registrations in France had doubled to reach a top level of 660,000 cars in 1959. Should this not suffice, the Minister of Industry sought to intimidate importers of foreign cars by asking them not to issue customer orders which they could fulfil, creating the public contestation against this "Un(Common) Market", as mentioned by VW's CEO, Heinz Nordhoff.[18] Such discrimination, however, was

17. MIN. IND. 771523 (24), Automobile and Cycle Unit, 1959.
18. *Der Spiegel,* 01.06.1959; *Le Monde,* 07.06.1959.

not unique to France. Italy also took a restrictive approach when confronted with open conflict for the distribution of its quotas between French producers, deciding to give more licences to those firms involved in business ventures with Italian companies such as Renault (with Alfa Romeo) and SIMCA (with FIAT) rather than to firms such as VW.[19] Despite the fact that 1959 was an exceptionally good year for the automobile industry, both countries used quotas to avoid harming national champions while indirectly pursuing industrial policy.

During this first year of the EEC, the European Commission started pressing to accelerate the timetable for the establishment of the Common Market, a move that implied for the first time serious steps to eliminate quotas in just a few years.[20] Though private French automobile producers violently railed against this development, Renault's influential management persuaded the government to accept the decision to finally remove all quotas except those on trucks. Renault insisted, however, on making the definitive removal of the British quota on automobiles a condition of doing so. At the same time, the French government was under growing American pressure to eliminate its automobile quotas for OECE members as these were considered a major obstacle to fulfil France's international commitments.[21] Fortunately, in June 1959 the British took the first-step towards unlocking what had proven to be a self-reinforcing system: the Italian position on quota removal depended on that of the French and that of the French on that of the British.[22] Britain's decision to unilaterally give up automobile quotas convinced both the French Ministry and Renault to recommend earlier quota removals within the EEC. Frances final acceptance of OECE quota removal was not an expression of the Rueff Plan and the new psychological conditions in which it supposedly resulted.[23] Rather, its timing had to do with the satisfaction of the structural demand of the French automobile industry to avoid simultaneous competition with American multinationals in the German and British automobile industry, in the absence of reciprocal access to the British market. If France had accepted early quota removal within the EEC, British cars could have entered French territory through those EEC Member States, such as Germany, that lacked quotas or, even worse, through assembly kits in Belgium. Should parts quotas have been withdrawn by France within the OECE, it would have opened the path to assembly factories directly set up in France. Thus, in the summer of 1959, the British producer Standard announced a project to create an assembly plant in Calais, just across the Channel. Though the French government had the power to block this project, Standard responded by threatening to set up a new factory in Belgium, which

19. MIN. IND. 771525 (48), Conseiller Commercial de l'ambassade de France en Italie pour la DREE, 17.04.1959.
20. On the larger political framework see M. DUMOULIN (ed.), *The European Commission (1958-1972): History and memories of an institution*, OPOCE, Luxembourg, 2007.
21. AR VP [Archives du Secrétaire Général Vernier-Palliez, Archives Renault Boulogne Billancourt], box (2), Note de service 3.172 de M.Bosquet, 03.11.1959; Régime d'importation des automobiles en France en 1960.
22. A.S. MILWARD, *Britain's place…*, op.cit., p.263.
23. M. MOGUEN-TOURSEL, *L'ouverture des frontières européennes dans les années cinquante*, Peter Lang, Bruxelles, 2002, pp.247-280.

lacked parts quotas, and send cars made there directly into France.[24] The EEC engagements of France in this way limited its sovereignty in the automobile sector but the progress of integration also depended on the changing context of international competition and the Treaty was flexible enough to manage a discriminatory liberalisation. As a result of the end of the British quota, the justification for maintaining protection on behalf of the French automobile industry disappeared in the eyes of a French government submitted to diplomatic pressures to complete the liberalisation of its trade. This may explain why, despite the continuous opposition of private producers but with Renault's support, the French government proposed the first acceleration of the transition period at the May 1960 Council meeting, where it was decided that all quotas were to be eliminated by no later than 1961.[25] A quicker intra-EEC tariff reduction was also added, with an additional 10 percent by the middle of that year and the progressive convergence towards the Common External Tariff (CET). By the end of the year, the French quota had been eliminated. Italy, however, managed to get a prolongation of its quota for yet another year, provoking the anger of French producers at the discriminatory treatment in favour of the Italians.[26]

The definite end of quotas among EEC members brought producers' pressures upon tariffs. Tariff reductions and the setting up of the CET were based on 1957 tariffs and aimed at 100% in intra-EEC for 1970 in a three-stage process with the resulting CET being the arithmetical average of the tariffs of the three major countries and the Benelux. The convergence of the automobile towards the CET would have to reach 30% at the end of the first stage, 30% at the end the second stage and the remaining 40% to be decided by the end of the transitory period. Controversial products such as the CET for automobile parts were confined to a special list, list G, to be fixed by negotiations between Member States. The 1957 automobile tariffs varied among countries with slight national differences among automobile segments (depending on engine capacity) and divided the automobile market into four categories for cars and two for trucks (see table 3).

Table 3: Automobile tariff duties of EEC countries in 1957[27]

cm3	Germany	Benelux	France	Italy	CET
Cars -1,500	17	24	30	45	29
Cars 1,500-2,000	17	24	30	40	29
Cars 2,000-4,000	21	24	30	40	29
Cars +4,000	21	24	30	35	29
Buses	21	24	30	40	29
Trucks –4,000	21	24	30	40	28
Trucks +4,000	21	24	30	35	28

24. AR VP (2), M. Bosquet, Note de service, 07.07.1959.
25. M. MOGUEN-TOURSEL, op.cit., pp.274-75.
26. ANFIA [Associazione Nazionale Fra Industrie Automobilistiche], Meeting of the CLCA in Paris, 06.06.1960; ASAR [Archivio Storico Alfa Romeo], box.354, Arese, Italy.
27. COMMISSION EUROPÉENNE, *L'industrie de la construction automobile dans la CEE*, Bruxelles, 1962, Annex.2.

This allowed for the preservation of differentiated protection according to the relative standing of major models amongst national producers in the international market. The final CET was extremely beneficial for the French as its pre-EEC tariff level would be maintained until the end of the transition period with all other countries converging on it, raising a tariff wall around the EEC market against the import of British and American automobiles. The first 10% reduction of intra-EEC tariffs had taken place in 1959 and a supplementary 20% in 1960. However, these changes did not affect major countries since France and Italy maintained quotas and Germany unilaterally reached in 1957 the level specified under its EEC commitment for this first period of tariff reduction. As a consequence, it can be said that the tariff removal of the first stage towards the customs union did not result in significant change before 1961.

If the EEC did not have any major incidence into intra-EEC trade flows, the prospect of quota-elimination had given birth to three major industrial alliances, leading to a lasting confrontation between the two major automobile corporations of France and Italy (Renault and FIAT). In 1958, Ford sold its share in the Franco-Italian producer, SIMCA, to the third American multinational, Chrysler. This firm was in search of a European platform from which it might compete internationally with the two other American multinationals, Ford and GM, both firmly established in the promising European market with production and assembly factories in Germany, France and Belgium. This agreement with Ford in France drew Chrysler closer to the major owner of SIMCA, FIAT, which would have preferred some kind of industrial integration between factories in France and Italy, but it was blocked by the French quota on automobile parts.[28] The new second shift in the structure of the European automobile industry came about also in 1958 from the hands of state-owned corporations in France (Renault) and Italy (Alfa Romeo) with the aim to fulfil their own objectives: industrial and regional economic development in balance with large private companies. Renault profited from the absence of quotas on automobile parts in Italy to sign a joint-venture with the owner of Alfa Romeo, the Italian Istituto per la Ricostruzione Industriale (IRI) in order to avoid the built-up automobile quota and have the commercial network of the Italian firm ready to distribute Renault cars. This co-operation seems to have been initiated from the Italian side for fear that the Common Market would be the beginning of the end for small specialised producers. The chosen modality was that of importing from France the Renault Dauphine and R4-kits to be assembled at Milan and export truck diesel engines manufactured in its Southern Pomigliano d'Arco factory to equip Renault trucks. The agreement aimed at producing jobs in Italy and competing with FIAT in a market segment where Alfa Romeo did not have any model to offer. Renault was even assured that it could take an important share in case of the privatisation of Alfa Romeo.[29] This initiative infuriated FIAT's CEO, Vittorio Valletta, who despairingly contemplated the contemporary signature of a similar joint-venture between British Motors and the small niche producer, Innocenti, to assembly the British A40 model from 1960.[30] In Germany, too, the perspective of the Common Market gave rise to Daimler's take-over of the small Auto-Union and provoked the failed attempt on the part of the German private pro-

28. Interview to SIMCA director, M. Esculier, in: M. PONTET, *L'internationalisation de l'industrie automobile. Le cas de Simca:1958-1980,* Master Thesis, University of Paris IV, 1992).
29. AR 0700 (130), Meeting Renault-Alfa Romeo, 21.11.1959.
30. V. CASTRONOVO, op.cit., pp.1000-1001.

ducer, one year later (1960), to merge with the ailing BMW.[31] These three strategic shifts of the largest national champions confirm that during the first period of the transition to the Common Market, not only American, but also European multinational corporations sought to anticipate the likely effects of the Common Market by means of alliances.

The 1961 figures on the origins of newly registered automobiles in France provided the French automobile industry with a clear picture of its major enemies in the first year of effective total liberalisation of foreign imports. Fiat headed the list with 24,000 cars imported into the French market, or four times as many as the previous year and nearly half of the 58,000 supplementary imports derived from the end of the French quota. The rest came from two different countries but from the same source: American multinationals in Europe. Ford sent 8,000 units from Germany and the same number from Britain, compared with the previous year's total of less than 1,000 cars. The German subsidiary of General Motors, Opel, increased its sales to 5,000.[32] Despite the fact that it was responsible for around half of all German production, VW reached a similar level of sales than Opel's. The Italian-American offensive during 1961 was important in numbers and concerned different market segments; Renault was more affected by Fiat while private producers, and especially Peugeot, felt the effects of the new opening to American corporations.

This first rough and limited contact with a non-quota world did not convince the French producers to support the summer 1961 EEC proposals in favour of a second acceleration, particularly since their own export progress continued to be blocked in Italy. Peugeot protested on behalf of the entire mechanical sector: any further step towards the achievement of the customs union was unacceptable unless there was no effective harmonisation of production, particularly in female wages, a firm commercial policy towards external partners and effective actions against the illegal protectionism of Italy. If major change in the positive economic conjuncture was to take place, these prior changes would first need to be instituted.[33] Apart from these general claims, most of which were already present in the negotiations of the Treaty of Rome, the real obstacle to further progress was the Italian decision of September 1960 to upgrade the level of export refunds paid to exported automobiles from 5 to 8%, an increase directly financed by a similar percentage of general and specific countervailing duties on industrial imports.[34]

Put in place at the demand of FIAT, this measure of the Italian government benefited also the Italian balance of payments as it put a break to foreign imports whereas

31. S. REICH, *The fruits of fascism*, Cornell, Ithaca, 1990, p.254.
32. Data on automobile registrations represent the real level of imports. These figures do not include stocks hold in the imported countries. All data used of registrations by firm and year come from ASF [Archivio Storico Fiat, Turin], Immatricolazione autovetture.
33. MIN. IND. 771530 (24), Note du directeur de la DIME pour le cabinet du Ministre, 30.06.1961.
34. S. RAMÍREZ-PÉREZ, *Anti-trust ou Anti-US? Industrie automobile européenne et les origines de la politique de la concurrence de la CEE*, in: É. BUSSIÈRE, M. DUMOULIN, S. SCHIRMANN (eds), *Europe organisée, Europe du libre-échange*, Peter Lang, Bruxelles, 2006, pp.203-229; S. RAMÍREZ-PÉREZ, *The French automobile industry and the Treaty of Rome: Between Welfare State and Multinational Corporations (1955-1958)*, in: M. GEHLER (ed.), *From Common Market to European Union Building. 50 years of the Rome Treaties 1957-2007*, Böhlau, Wien, 2008.

it helped the expansion of Italian goods abroad.[35] Unfortunately it violated article 96 of the Treaty limiting compensations to the strict levels of domestic taxation specific to the producing country of origin. The automobile was the main product affected by this measure: Renault cars, for instance, were charged with a countervailing duty of between 7% and 8%. Renault complained of this to the French Ministry of Finances, which brought the case before the Council in Brussels in the hope of reinstating the original levels of the IGE of between 5-6%. The Commission threatened Italy to issue compulsory directives and to bring the case in front of the Court of Justice.[36] The political compromise reached did not satisfy the French mechanical industry, which in the Spring of 1962 still opposed any acceleration unless the Conguaglio was not further reduced. Peugeot, for its part, pointed to the Italian tax as proof that the Common Market had brought about new state economic interventionism rather than real liberalisation. A stalemate followed due to Italy's reluctance, backed by FIAT demands, to make any further concessions on the Conguaglio, which was considered meagre compensation in comparison to the legal French VAT of 20% and the even higher British Purchase Tax of around 30%.[37] French industry, meanwhile, resisted any governmental suggestion that it should support such anticompetitive behaviour in violation of the Treaty. They claimed that the rise of imports had only been possible through a systematic dumping of 20-25% of car prices – an art at which the Italians were the unrivalled *maestri*, with some 30% of dumped prices.[38]

Despite the continuing opposition of private French producers to carry a supplementary 10 percent acceleration from the summer of 1962, the French government, with the sole backing of Renault, authorised it in the May Council of Ministers meeting. While Renault shared the views of Peugeot, its particular situation in that year demanded further European integration. Renault had just emerged from a disastrous retreat from the USA market after American firms had introduced compact cars to put a halt to the penetration of small European cars. In consequence, Renault suffered a crisis derived from a surplus of capacity that brought a reduction of labour hours from 48 to 45 as well as the first redundancies (1,300) since 1945. This led to a breach in the exemplary labour relations hitherto observed by the management with the dominant French Communist Union, the CGT, and seriously threatened the position of Renault's CEO, Pierre Dreyfus. A further EEC tariff acceleration would help it sell its increasing stocks of cars in European markets once the Italian quota had been lifted.

However, the diverging behaviour of Peugeot and Renault had other sources as well. On the one hand, Renault conformed to the national strategy of the French government to shake traditional protectionism on behalf of the use of trade barriers to encourage the international expansion of French companies to gain international

35. ASF, Verbale del Consiglio d'Amministrazione, 29.01.1960, pp.199-200.
36. AR VP (6), Notes of M. Bosquet 292, 06.02.1961 and 394, 26.06.1961.
37. ASF, Relazioni del Consiglio d'Amministrazione e dei Sindanci sull'esercizio, 27.04.1962; Verbale del Consiglio d'Amministrazione, 29.01.1960, pp.198-200.
38. Meeting of Peugeot administration board, 25.11.1961, quoted in: J.L. LOUBET, *Citroën, Peugeot, Renault et les autres*, ETAI, Paris, 1995, p.326.

currency.[39] It was in fact an expression of a more fundamental, structural difference in the business strategies of the two firms: where private firms such as Peugeot relied on a low-volume, short-term strategy of selling in the high-price profitable domestic markets, the public firm played for the long-term, distributing its high-volume production amongst low-price international markets. Renault was the first French exporter and, as such, very clearly identified the economic role of the Common Market as a preferential enlarged domestic market which might serve as a springboard to international expansion while helping to reduce violent market fluctuations at home and in non-EEC markets. That the EEC market came to play such a role for French automobile producers can be seen in Table 4.

Table 4: Destination of exports by country within the EEC, 1958-1969[40]

French Automobile Production (P), Exports (X) total exports on production (X/P), exports to EEC on total exports (EEC/X)

	P	X/P	X	EEC/X	EEC	Benelux	FRG	It.
1958	1 127	32%	360	15%	54	41	11	2
1960	1 369	41%	556	26%	146	82	39	25
1961	1 244	39%	484	32%	154	82	45	27
1962	1 536	36%	553	36%	198	86	70	42
1963	1 737	35%	604	40%	244	89	76	79
1964	1 641	34%	552	38%	211	99	74	38
1965	1 642	37%	613	39%	239	114	88	37
1966	2 024	39%	787	33%	260	105	113	42
1967	2 010	42%	835	38%	316	124	139	53
1968	2 076	46%	958	38%	364	141	160	63
1969	2 459	48%	1 175	40%	470	164	215	91

39. That Renault fulfilled Gaullist objectives of national economic independence by increasing the foreign currency reserves of France is demonstrated by the nomination of Pierre Dreyfus as Commander of the Légion d'honneur at the request of the Governor of the Banque de France to reward the record of 132 Million US dollars repatriated by Renault's exports in 1959. See AR, Conseil d'administration de Renault, 17.11.1959.
40. ANFIA, *Automobile in cifre*, op.cit.

1962-1964 The limits to the deepening and enlargement of the Common Market: internal neoprotectionism and the American challenge as brakes on European integration

Protectionism in the automobile sector became a more sophisticated game as new arenas within nascent European institutions were opened up for bargaining between states and multinationals. These non-tariff barriers had the same effect as quotas and tariffs, limiting the extent of trade exchanges by creating serious uncertainties about the future of automobile sales in specific markets. The obstacles, new and old alike, were of three kind. A first obstacle, set up by the State and used mainly (but not only) by the Italians, was reliance on domestic taxation as a tool to discriminate against foreign manufacturers. A second public and collective obstacle was the preservation of technical barriers to trade, predicated on the failure of Member States to agree to mutual technical standards. Technical standards appeared to Germany as an ideal device to create uncertainties in its partners, even though their effects were difficult to measure since, given their nature, they were best employed as preventive deterrents in case of growing import penetration. A third new collective private agreement to limit competition was set up by the EEC automobile producers' association through their first collective lobbying action: the temporary block exemption of exclusive distribution of automobiles from the new EEC competition law.[41]

These neo-protectionist practices have to be considered against the backdrop of the arrival of huge American FDI to Germany and Britain, which gave rise to strong opposition against possible accelerations of the Treaty as they were closely linked to the final result of enlargement. In this sense, the commercial and financial behaviour of American multinationals blocked the possibility of further progress towards the Common Market. At the end of the day, the Common Market was not a technocratic construction of an unfettered market liberalisation guided by the new European Commission or American multinationals but was rather driven by the political institutionalisation of a pragmatic consensus shaped by European firms and governments that legally maintained domestic regulatory practices within the framework of the Treaty while creating new forms of supranational limits to competition.

Fiscal protectionism: not just an Italian affair

In Italy, fiscal barriers were some of the most widely used protective devices. Until the end of the quota period, Italy had been able to use a openly discriminatory licensing taxes which charged foreign cars with a supplementary semester payment as

41. On the exemption of automobile distribution from competition rules see S. RAMÍREZ-PÉREZ, *La politique de la concurrence de la Communauté Economique Européenne et l'industrie européenne: les accords sur la distribution automobile (1972-1985)*, in: *Histoire, Économie et Société*, 1(2008), pp.63-79.

compared with the one-semester tax charged to owners of Italian cars. Similar discriminations had been made against those French tractors not included in the subsidies supplied by the Italian government for the mechanisation of farms. This vehicle licensing tax was charged on top of the highest custom duties in Europe. A tax of this kind gave a yearly reminder to Italian customers of the advantage of owning a national automobile while punishing owners of imported automobiles. However, this familiar form of fiscal discrimination was too apparent to resist the Treaty of Rome's article 95, which prohibited such behaviour. The EEC Director General of Competition, Pieter Verloren Van Themaat, did not have much difficulty getting rid of both discriminations following an investigation demanded by France.[42] As mentioned earlier, the Conguaglio durably limited market-access to Italy following the end of the quota and remained solidly in place until 1971. The Conguaglio, however, did not exhaust the forms of fiscal discrimination introduced by the Italian government. A new special consumption tax on automobiles later introduced as an anti-inflationary measure to support the Colombo-Carli plan of 1964, which aimed to put a halt to car sales and reduce national trade deficits. A sophisticated formula mixing volume and engine type was devised to discriminate against imported models without especially damaging FIAT small models, which continued to pay half of the tax charged on foreign cars. This new measure brought to a definitive halt growing numbers of imported cars in Italy: from 205,000 units in 1963 to just 127,000 one year later, with Renault being the principal victim of this neo-protectionist tool.[43] But little could be done in face of Italian government resistance to change, blocking the possibility of political agreement on the Council. However, France could not strongly complain in the EEC about these discriminatory fiscal practices because its own circulation tax (Vignette) had a similar effect on the importation of luxury cars and, like the Italian measures, was maintained through the decade. The devastating effect of this discriminatory Italian law was such that, despite the growing number of domestic registrations, foreign imports were never again to reach 1963 levels, whether in absolute or in relative terms, until the end of the transitory period of the Customs Union. In this way Rome put a firm brake to the Common Market and blocked its major rivals – especially Renault and other players in the French automobile industry – from the first days of the EEC. For the state-owned firm, these measures had structural effects upon its exports to Italy as the distribution network of foreign cars was deserted by dealers who recognised that it was more profitable to find clients with cheaper FIAT cars and thus shifted to the network of the Italian company.[44]

42. MIN. IND. 771530 (24), Directeur général Verloren Van Themaat to Représentant Permanent de la France devant la CEE, 12.09.1961.
43. AR VP (6), Communication du conseil du CSCA, 14.11.1964, p.4.
44. AR VP (2), Vernier-Palliez pour le directeur des Carburants du Ministère de l'Industrie A. Giraud, 25.11.1966.

Technical protectionism: A German speciality.

Technical norms had long been a species of public regulation answering to broader social and economic objectives – road safety, for instance, or industrial rationalisation. This made it an adequate barrier in favour of an efficient and hidden protection of domestic markets. According to article 100 of the Treaty all attempts to harmonise national laws and regulations having an influence on the Common Market, such as technical norms, required unanimous approval by the Council, granting governments the last word upon their removal. National regulations varied greatly between countries and regional efforts in the 1950s in favour of harmonisation had failed, despite France's sponsorship of a Working Party (WP29) on the Construction of Vehicles within the UN-Economic Commission for Europe. The first agreement on type approval and reciprocal recognition of approval for motor vehicle equipment and parts was only reached in 1958 and was approved by just one country besides France. The agreement had sought the removal of barriers to international trade through the creation of a permanent structure for technical consultations among founding members. These early French attempts to eliminate technical barriers were consistently resisted by Germany which only accepted this agreement in 1966, much later than other EEC countries and Britain. As a matter of fact, the sixties were not a much more fertile period for non-EEC harmonisation: these years witnessed only minor advances in this European-wide organism with only 6 regulations approved until 1968.[45]

Within the EEC, the existence of such barriers seems to have played an important role in the early penetration of French cars into Germany and illustrates the fact that the Treaty of Rome permitted national authorities to choose when to block what they judged the excessive presence of foreign models in the domestic market. In 1961, Renault's CEO complained that German authorities put obstacles to Renault sales through severe and unfair checking of new Renault models. A major case concerned a new regulation on noise pollution which hindered the entrance of the new Dauphine Gordini sport model, a model that had sold, from the beginning of the year, at a rate of 30 units per day in Germany. The Renault's best-seller received only a provisional authorisation for its commercialisation. Insisting that Renault must modify its windscreen, German authorities threatened a general recall of Dauphines should the French manufacture not comply with such request. The conclusive words of Renault's CEO, Pierre Dreyfus, left no room for ambiguity:

> "We are heading in the coming years towards a reduction in custom duties. Every country will attempt a remedy through complex regulation. We must have our own".[46]

45. UN-ECONOMIC COMMISSION FOR EUROPE, *Working party on the construction of vehicles. Its role in the international perspective*,UN-ECE, Geneva-New York, 1994; S.M. RAMÍREZ-PÉREZ, *Automobile standardisation in Europe: between technological choices and neo-protectionism*, C. BOUNEAU, D. BURIGANA, A. VARSORI (eds), *Les trajectoires de l'innovation technologique et la construction européenne*, Peter Lang, Brussels, 2010, pp.195-213.
46. AR 0700(X), Séance du Conseil d'administration de Renault, 21.02.1961.

Whether these tacit threats actually blocked further French penetration in German markets is difficult to say due to the difficulty of measuring the deterrent effects of such a threat. Nevertheless, such tactics succeeded in creating a continuous uncertainty about future sales levels. German authorities, in any case, remained free to retaliate if imports reached an undesirable level by blocking them at any time without generally EEC intervention. Despite the creation by the Council in 1961 of a working group (WP 3) for the harmonisation of technical regulations of automobiles at the Directorate General of Industrial Affairs, there was no major progress at the EEC-level with France, Italy and Germany signing only bilateral agreements. These, however, were unsatisfactory as national experts held yearly meetings in Brussels without major progress in the drafting of directives towards the total harmonisation and mutual recognition of safety controls. By 1966 they had reached consensus on only three minor questions (blinkers, radio-electrical parasites and breaks). For half a decade the European Commission repeatedly fought the opposition to national delegations in a sector with many technological changes.[47] The solution to this problem might have consisted in the delegation of powers to the Commission but this seemed quite difficult in the context of a period increasingly dominated by the opposition of France to major transfers of power to European institutions. The Economic and Social Committee of the EEC proposed in 1966 the use of a two-tier system to solve this puzzle but it would be necessary to wait until the Spring of 1969 before the Council approved the General Programme for the removal of obstacles to trade, including the urgent approval of directives on motor-vehicles contained in the Directive 70/156 on "EEC type approval".[48] This late European decision must be understood as a sign of Member State awareness that the Customs Union achievement ran short of creating a genuine Common Market and that a new effort was necessary after the end of customs duties. By this time, however, a new kind of technical barrier – environmental standards – had been put into the service of protectionism by the US. They were to enjoy a long and fruitful career.

American FDI as a brake to integration and to enlargement

At the end of 1962, the German President of the Commission, Walter Hallstein, presented a new programme to accelerate Treaty mandated tariff-dismantling up to 80% for 1966 and the remaining 20% one year later once the CET had been set up. Confronted with this new proposal, the intra-EEC effects of the creation of the Common Market became a minor issue in comparison with the question of its external consequences, namely, its incompatibility with the negotiation of EEC enlargement to the UK (itself preliminary to the international trade negotiations announced by the Ame-

47. MIN. IND. 771521 (60), Note de la DIMEE au Président du Comité Syndical des Constructeurs Automobiles (CSCA), 18.04.1967.
48. MIN. IND. 771521 (58), Project de Rapport de la section spécialisée pour les transports du Comité Économique et Social, 19.09.1966.

rican President John F. Kennedy at the beginning of that year). A new acceleration would affect the pace of convergence of the automobile industry towards the future CET, which in its turn would be applied well ahead of schedule. This quicker convergence would permit negotiations with the Americans. These, in the view of the Commissioner in charge of Foreign Trade, Jean Rey, would be sufficient to convince Member States to support the new acceleration.[49] The CET had been one of the most controversial issues of the second stage of the Common Market: following the mid-1962 acceleration, the effective applied external tariff of each country with the rest of the world had been reduced after the conclusion of the Dillon Round. Signed at the end of 1961, these negotiations succeeded in reducing the CET level to a level upon which all Member States were already converging and thereby actual tariffs, which can be seen in table 5.

Table 5: Automobile tariffs at the end of the second stage of the Common Market 1962[50]

1 EEC GATT/World; 2 FRG EEC/World; 3 Benelux EEC/World;
4 France EEC/World; 5 Italy EEC/World

cm3	1	2	3	4	5
Cars -1,500	22/29	8.5/18,9	12/24	15/27,6	22,5/31,4
Cars 1,500-2,000	22/29	8.5/18,9	12/24	15/27,6	20/34,9
Cars 2,000-4,000	22/29	10.5/23,2	12/24	15/27,6	20/34,9
Cars +4,000	22/29	10.5/23,2	12/24	15/27,6	17,5/31,4
Buses	22/29	10.5/23,2	12/24	15/27,6	20/34,9
Trucks –4,000	22/28	10.5/22,4	12/24	15/27,6	20/34,7
Trucks +4,000	22/28	10.5/22,4	12/24	15/27,6	17,5/31,2

During these negotiations, the CET level against British, Canadian and American exports was brought to 22%, pushing EEC market opening away from original levels. The French automobile industry complained bitterly that last minute deals had forced the Commission to offer the automobile as a major concession to commercial partners. The average reduction of industrial goods was at just 7% and no item had surpassed the 20% threshold excepting the automobile and this without major reciprocity from EFTA countries.[51] The clear winner had been the Germans: the USA had accepted the reduction of its own car tariff from 8,5% to 6,5%, pleasing the major European exporters towards the USA, Volkswagen and Mercedes, and at the same time gave them reason to look forward to supplementary financial gains. The German

49. ASAR, (354), ANFIA. Réunion d'information entre les représentants de la CEE, de l'UNICE et des Fédérations européennes par branche d'industrie, 07.12.1962.
50. Own elaboration from data coming from AR VP (2), Note 400, 30 May 1961.
51. AR. VP (6), Note de M. Bosquet, 06.12.1961.

strategy for automobiles in this period was clear: the reduction of the American tariff using the CET as compensation to American automobile interests in the rest of the world and particularly Britain.

After this chapter, it is not surprising that the Hallstein Plan for a new acceleration should have become unacceptable to Renault, which feared that it would only serve to bring the automobile industry into a worse trap – the prospective Kennedy Round. The Trade Expansion Act originally suggested that a total tariff removal could be made in those sectors where the EEC with the UK and the USA traded more than 80% of world automobile trade. The automobile was among the candidates for such a revolutionary shift in industrial trade relations. Given the precedent of the Dillon Round, this appeared a strong threat to the French automobile industry. The conclusion reached by the major French firm supporting previous EEC accelerations was that any supplementary reduction of intra-EEC tariffs would bring the Kennedy Round that much closer. A halt needed to be called in this path towards quicker integration.[52]

By January 1963, the prospect for a German-sponsored acceleration was put aside after Charles De Gaulle's first veto of the British application to joint the EEC. This decision was unconditionally demanded and supported by the French automobile lobby and, as soon as the United Kingdom presented its demand for adhesion in the summer of 1961, by the entire French Mechanical Industry as well.[53] They considered that the major British objective was not access to the French market – France was not important for British exports – but rather access to other EEC markets where they would compete against the French. The mechanical industry believed that France could resist the impact of adhesion in capital goods sectors such as the machine-tool industry, chemicals, textiles and some basic industries such as steel. Instead, in the mechanical sector and more concretely in the automobile industry, real damage could be inflicted on the recent advantages gained by French firms in EEC markets. The major reason for this was that, from 1959, huge American investments had been directed towards the mechanical sector with an eye on a future invasion of EEC markets. The numbers of American FDI in Europe were unequivocal (see table 6).

52. AR. VP (6), Note de M.Bosquet, 17.12.1962.
53. AR Relext (X) b. 418, Mémento de la réunion du Conseil d'administration du CSCA. Étude sur les conséquences de l'entrée de la Grande Bretagne dans le Marché Commun, 27.09.1961; MIN. IND. 771530 (24), Disposition préliminaire de la Fédération des industries mécaniques à l'égard des problèmes soulevés par une adhésion éventuelle de la Grande Bretagne au Marché Commun, 15.09.1961.

Table 6: American FDI in Europe[54]

	Fordwerke	Opel	Ford UK	Vauxhall
	in Millions of DM		in Millions of £	
1958	57	76	n.a.	n.a.
1959	83	171	11	1.8
1960	129	393	17.2	6.8
1961	254	442	31	13
1962	210	450	40	n.a.
Production 1958	129.000	316.000	381.000	240.000
Production 1962	300.000	380.000	458.000 (1961)	220.000

Jean Pierre Peugeot, the President of the National Federation of the Automobile, representing French producers and their suppliers, drew attention to the three necessary conditions that the French business association, the CNPF and the Minister of Industry needed to advance in conversations with French negotiators in Paris and Brussels for the negotiations with Britain: first, guarantees must be given of free access to Commonwealth territories for both export and import purposes; second, a balanced policy needed to be found for American investments and licences between the UK and the EEC which would compensate for the invisible financial transfer of technology and research expenses from the USA to British industry; third, fiscal and social charges such as the equalisation of female wages must be harmonized. The bottom line of the rejection of British adhesion was that in no case would Britain be permitted to opt-out or engage in partial derogations of the Treaty of Rome. Otherwise, the EEC risked being transformed into a simple free-trade area, creating serious troubles for the entire mechanical industry and thus French industry.[55] More generally, British acceptance of the CAP, the Common Commercial Policy and the accelerations of tariff dismantling was thus more than merely a logical consequence of accepting the Treaty *per se* but also an acknowledgement that three major stepping stones of the EEC gave particular advantages to the French mechanical industry. The first common policy served to keep high the revenue levels of French farmers, important consumers of French mechanical goods. The CET level fixed at the Dillon Round was the minimum tariff protection that the mechanical industry could bear before the Kennedy Round. Finally, Britain could not pretend any delay in its tariff reduction, accepting its automatic application in case of entry. The tariff reductions already made by EEC Member States thus had to be accepted from the outset by the British government. Two supplementary conditions were requested in case of British acceptance of the Treaty: that there should be no previous devaluation of sterling and that some safeguard clauses should be installed in the case that France could not fulfil the original timetable of intra-EEC tariff dismantling due to simultaneous competition from British and German industries.[56]

54. AR VP (1), Note sur les investissements américains en Europe, 20.03.1963.
55. AR VP (6)Fédération Nationale de l'automobile. Réponse au CNPF relativement à la candidature du Royaume Uni à l'entrée dans le Marché Commun, 25.08.1961.
56. MIN. IND.771530 (34), Note de la Fédération Nationale sur les problèmes d'une adhésion éventuelle du Royaume-Uni au Marché Commun,15.09.1961.

Despite these rough conditions for accession, talks with European officials had convinced Renault that the UK would accept all French demands in order to break the veto. Faced with this eventuality, Renault's top management intensively lobbied for additional special protections on the tractor and truck sectors, both of which would be particularly threatened in the case of UK adhesion. In the former sector, it was clearly stated that, in the case of a British entry, Renault would close down its industrial facilities for tractor manufacturing. More damaging yet, from the perspective of French national interest, a complete retreat from this sector would bring about serious consequences for the modernisation of French agriculture since Renault was the only 100 percent French producer, the remainder being American or Italian subsidiaries. Renault's products were mainly designed to specific farming conditions; foreign firms were unlikely to satisfy the production objectives specified for French agriculture. Even so, the French delegation decided not to include them in their negotiations for strategic reasons: it had been decided to avoid weakening their position by steering clear of discussions about opting-out in the negotiations with the British. As for the likely enlargement to other countries, Renault only had objections in the case of Sweden, in particular due to its very powerful truck industry.[57]

De Gaulle was familiar with these strong arguments against UK entry and his veto of the 14 January 1963 reassured the automobile and mechanical industries. Some authors have also appealed to another automobile affair in explaining the veto by arguing that the final take-over of SIMCA by Chrysler, announced just four days later, may have played a role in De Gaulle's decision.[58] However, there is no evidence for any such direct linkage. Still, the possibility cannot be entirely discounted: Chrysler's move was perceived by the French administration as the possible departing point for an automobile war in European lands between American producers and would be certain to damage the French automobile industry as France became the definitive European base for the Chrysler offensive against Ford and GM.[59] Whatever the influence of this particular event was, it has been demonstrated that the veto on UK entry had strong support from economic interests, not just on agricultural issues but on industrial and social grounds as well.[60] Looking in detail at the situation of Renault opens the way to an explanation of the close linkage between the EEC, international industrial competitiveness and the particular construction of the Welfare State in France based on state-owned enterprises. In November 1962, the firm received the

57. AR.VP(6), Note de Bosquet. Conversations de M.Ouin à Bruxelles avec des fonctionnaires de la CEE, 27.11.1962.
58. *L'Express*, 30.05.1966, quoted in: R.F. KUISEL, *The American economic challenge: De Gaulle and the French*, in: R.O. PAXTON, N.WAHL (eds), *De Gaulle and the United States of America*, Berghahn Books, Oxford, 1994, p.199.
59. MIN. IND. 900583(12),Note de DIME (Lescop) pour le Directeur du cabinet M. Parodi sur la prise de contrôle de SIMCA automobiles par le groupe Chrysler, 28.11.1963.
60. A. MORAVCSIK, *De Gaulle between Grain and Grandeur: The political economy of French EEC policy 1958-1970* (parts 1 and 2), in: *Journal of Cold War Studies*, 2(2000), pp.3-43 and 3(2000), pp.4-68; F.B. LYNCH, *The origins of de Gaulle's European policy: Ideology, theory and history*, Paper presented to the Research Seminar on the History of European Integration, European University Institute, Florence, 2000.

agreement of the new Minister of Finances, Valéry Giscard d'Estaing, for its first capital increase with the explicit aim of contributing to balance French foreign trade deficits and compete with American multinationals in international markets. This financial support assisted in the recuperation of Renault after its re-centring in EEC markets had led the company's CEO to propose pacifying Trade Unions in favour of a return to consensual labour relations through a new yearly contract that offered a choice between one less working hour per week, one supplementary week of holidays per year or retirement one year earlier.[61] The 29 December 1962 and (with the tacit approval of French President De Gaulle)[62] a fourth week of holidays was given to all Renault workers, creating a national trade union demand for its extension to the rest of the industry.[63] Weakening the position of the French automobile industry during those years by British adhesion would have entailed putting in serious jeopardy three major objectives of French economic policy from late 1962: the Gaullist construction of the Welfare State through public enterprise; the major international objectives of the new industrial policy orientations of the Pompidou-Giscard government; and the stabilisation Plan demanded by the Élysée in 1963, a plan that involved price blocking and consequently a reduction in the self-financing capacity of French industry.[64] Under these circumstances, acceleration and enlargement were incompatible with all those objectives that constituted the Gaullist project for the social and economic modernisation of France.

The construction of the Welfare State, investments for industrial development and anti-inflationary policies are the same arguments that could be advanced to justify a logical opposition of Italy to the EEC enlargement. During the second half of 1962, Italy experienced a major shift, originating in FIAT, in the industrial relations of its auto industry. In this case, the return to strikes during the negotiation of the new contract with unions in the second half of 1962 had put an end to a peaceful cycle, which had begun in 1955, of paternalistic corporate welfare systems based on in-house unions. After FIAT workers' rioted in Turin that Summer (the revolt of Piazza Statuto) to protest the agreement signed by the home-made FIAT Union, the automobile section of the Communist and Socialist Union regained its historical role as major negotiator of working conditions in the sector. It is doubtful that FIAT top management and the Italian mechanical industry could have accepted an increase of competition due to EEC acceleration and enlargement under such circumstances, particularly as the sectoral labour agreement negotiated from October 1962 and signed in February 1963 with the Italian Unions had resulted in a very substantial increase of labour costs. In addition to increasing wages, the agreement fixed the progressive reduction of working hours, the equalisation of female wages and the

61. F. PICARD, *L'épopée de Renault*, Albin Michel, Paris, 1976, p.344.
62. For the opposition of Pompidou to this measure see the testimony of the new director for external relations and former OECE civil servant, Marc Ouin, in S. DREYFUS, *Pierre Dreyfus.1907-1994*, Gallimard, Paris, 1995, p.46.
63. P. DREYFUS, *La liberté de réussir*, Éds Simoen, Paris,1977, pp.25-30.
64. S. BERNSTEIN, *La France de l'expansion*,vol.I, *La République gaullienne 1958-1969*, Seuil, Paris, 1989, pp.152-170.

fixing of payment rewards to productivity gains.[65] This conflict-oriented achievement of Welfare objectives by Unions had coincided with the major political change of the sixties, the arrival of a new centre-left government aiming at introducing industrial planning and the research of a neo-corporatist structure to build up a consensual Welfare State system.[66] This new political project would have been difficult to fulfil given an increasing opening of European borders. Any such opening required firms to introduce new investments – such as those launched by FIAT for the period 1962-1965 – as strategy tending towards the modernisation of Italian industry.

However, according to FIAT's CEO, Vittorio Valletta, even a consensual economic and social modernisation could turn into a dangerous backlash given the serious fears of overproduction in EEC markets. This earlier position adopted by Valletta at the Parliamentary enquiry on monopolies makes Vallettas' public claims of support for British accession as a public relations action aimed at guarding the image of FIAT before the Kennedy Administration, where FIAT had strong business and personal links.[67] The opening of EEC doors to Britain would have only accentuated this dangerous situation and, from late 1963, would have been incompatible with the new anti-inflationary line, the Colombo-Carli plan set up by the Italian government, which deeply affected domestic demand as it increased among others the price of petrol. Major support for FIAT's fear of future overproduction in Europe following from a competition for investments with American corporations can be found in the issuing of a May 1963 communiqué written in Zurich by the three major national champions of the EEC, FIAT, VW and Renault. The communiqué supported the conclusions of an earlier secret report from the European Commission confirming Valletta's fears and asking for a regulation of the automobile sector following the model of the ECSC, that of a managed oligopoly.[68] British accession, obviously, seemed incompatible with the different social and economic objectives of the various projects for modernising the Italian economy as well as with any plan for a further deepening of European integration as demanded by European producers in 1963.

It is necessary to make clear that the fear of an American invasion was not just the fruit of the imagination or cultural prejudices of the European automobile constructors. Registration figures for foreign cars in France during this second period were explicit enough in this respect, passing from 122,000 in 1962 to 180,000 in 1965. Between these years neither VW nor FIAT substantially increased their sales in France, maintaining a respective per annum average of 8,500 and 24,000 cars. This time, the real breakthrough came from European subsidiaries of American corpora-

65. V. CASTRONOVO, op.cit., pp.1090-1091.
66. P. GINSBORG, *A history of contemporary Italy. Society and politics 1943-1988*,Penguin, London, 1990, pp.268-272.
67. The support of UK entry is quoted by Castronovo coming from the yearly report to the public assembly of FIAT shareholders in march 1963. However this position contradicts the rest of this chapter which had the suggestive title of "the frightening American competition". See. V. CASTRONOVO, op.cit., pp.1090-1093.
68. *Un rapporto segreto del MEC conferma i timori di Valletta*, in: *L'Espresso*, 03.03.1963, quoted in: V. CASTRONOVO, op.cit.; P. BAIRATTI, *Vittorio Valletta*, UTET, Torino, 1983, p.340.

tions: Fordwerke more than doubled its exports from 13,000 units to 29,000 and Opel more than tripled its exports from 8,000 units to 29,000. Ford UK exports declined from a peak level of 20,000 in 1962 to 10,000 units in 1965, with the fall taking place precisely during the year of the veto, 1963. The fear of American multinationals extended to British Motors Corporations (BMC), which had lately launched an offensive on the French Market with an export increase of 14,000 vehicles between 1962 and 1965 (from 2,000 to 16,000). Recent historical scholarship on Ford has solidly documented the extent to which the American company was preparing during the period of 1958 to 1962 the launching of a small car project, for which enormous investments were made in Germany. It is clear that De Gaulle's veto completely disorganised Ford Europe's project for a pan-European regional integration.[69] The pressures of French automobile producers on De Gaulle had reached their purpose: block the investment plans of American multinationals and avoid making of them the major beneficiaries of the new Common Market.

Conclusion

This paper has argued that the impact of the creation of the Common Market in the automobile sector was not at the level of the expectations of the Treaty and that its evolution was an historical process interrupted by constant fits and starts. This irregular trajectory was not just the result of political interference foreign to the evolution of the industry but rather followed the pressing demands of industrial sectors. The major achievement of the Common Market was to put an end to old trade obstacles between members. These obstacles, however, did not entirely disappear. Within the EEC, new forms of protectionism limited the impact of the end of internal quotas and tariffs. Quotas and high tariffs remained in place beyond the borders of the EEC. European multinational corporations followed the process of transition in the hope of stabilising their export markets, using these to improve their total export performance and encourage the growth of national industry. Increasing American FDI was indeed a result of the Common Market but it failed to encourage smoother integration given the strong opposition from European national champions. These had suffered from a lack of capital in confronting what they considered unfair competition. American corporations, like Chrysler and Ford, acted on their own interest, not following any foreign policy objective. Their action, however, was counterproductive for further economic market integration and justified the continuous control of European governments upon the whole process.

The Treaty of Rome was flexible enough to be used in a neo-protectionist sense both in its internal and international dimension. The application of the Treaty did not develop in a liberal direction as the driving seat was occupied by the Member States

69. S. TOLLIDAY, *The origins of Ford of Europe: from multidomestic to multinational corporation: 1903-1976* in: H. BONIN, Y. LUNG, S. TOLLIDAY (eds), op.cit., vol.II, ETAI, Paris, 2003, p.184.

which modulated the progress in European integration according to their own national economic and social objectives, searching for the consensus of national business. As far as enlargement is concerned, this paper has shown the fundamental interest of French producers in blocking the access of Great Britain to the Common Market. Their reasons were not solely industrial but also had much to do with the social and economic objectives of Gaullism with a similar interpretative hypothesis for the welfare and economic objectives of the centre-left government.

In this respect, this paper confirms the findings of those authors who have supported an interpretation of EEC development as subordinate to internal social and economic constraints on policy-making, and to an overriding desire to protect national industry against the pressure of American multinationals to globalise national economies.[70] Coming to the crucial debate about the influence of business into the policy-making process of European integration, this paper rejects instrumental and structural interpretations of business influence, that is, that governments followed directly or indirectly the positions of private large corporations.[71] In fact, national governments searched for their own interest, in this case encouraging industrialisation and welfare increase of industrial workers coupled with economic stability. In the French case, the Gaullist Republic counted with the leadership of a State-owned company, Renault, which allowed policy-makers to control the exact content of the complaints of private companies. In the Italian new Republic, Fiat played a similar role than Renault, given that in these early years it enjoyed of a nearly monopolistic position in the Italian automobile sector, progressively challenged by the state-owned holding IRI. However, even in this case, the Italian government was also guided by its own social and economic objectives for political legitimacy, even if in practical terms they coincided with those of FIAT. Regardless of the slight differences between countries, this paper demonstrates that the European rescue of the Nation-State was also a rescue from a real American threat to the survival of national industry and not the fruit of cultural prejudices or geopolitical designs.[72]

70. F. GUIRAO, F.B. LYNCH, S. RAMÍREZ-PÉREZ (eds), *Alan Milward and a century of European Change*, Routledge, London, 2012.
71. A. MORAVCSIK, *Beyond grain and grandeur: an answer to critics and an agenda for future research*, in: *Journal of Cold War Studies*, 2(2000), pp.117-142.
72. S. RAMÍREZ-PÉREZ, *Public policies, European integration and multinational corporations in the automobile sector: the French and Italian cases in a comparative perspective (1945-1973),* (Ph.D), European University Institute, Florence, 2007.