

EUROPEAN COAL AND STEEL COMMUNITY

THE HIGH AUTHORITY

Address

delivered to

The European Parliament

by

Mr. Albert COPPÉ

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of the European Coal and Steel Community

at Strasbourg

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Mr. President, ladies and gentlemen,

The High Authority has the honour to submit its Eleventh General Report for the attention of the House.

The Report was issued to hon. Members early in March, and so requires to be supplemented on certain points.

Before I go on to give the House a few additional particulars, and to run over briefly the ten years for which the Common Market for coal and steel has now been in existence, I should like to offer one or two observations from the political angle on the situation of E.C.S.C.

It is a consequence of the fundamental oneness of the three European Communities that the evolution of each automatically reacts upon the

other two. Only if all three advance together, and more and more closely in step, can we, looking to the joining of what only past history put asunder, draw nearer to our ultimate goal, United Europe.

Following the collapse of the negotiations with Britain, the E.E.C. Council of Ministers is now looking for ways and means of reactivating the European drive, by intensifying the work of the Communities in various important sectors.

Quite bluntly, the High Authority would very much like to see this done with regard to certain problems with which it has been confronted, including in particular the question of energy policy, which affects all three Communities but for which the High Authority has special responsibility.

We are pleased that the urgency of this problem has been underlined at the Ministers' deliberations in Brussels; we are even more pleased that the E.C.S.C. Council of Ministers, which was given specific jurisdiction in the matter by the terms of the 1957 Protocol, is now, after to some extent marking time for a while, making more active efforts to work out a comprehensive solution, on the basis of proposals by the Executives. The High Authority for its part is treating this as a top priority.

With regard to external relations, the High Authority is following with interest all that the six Governments are doing in Brussels to keep

up appropriate contacts with Britain. E.C.S.C. has had links with Britain through the Agreement of Association since as long ago as 1954, but the matter is really one for all three Communities; I would add, in any case, that the High Authority does not regard the Agreement as an adequate alternative to maintaining contact with the United Kingdom.

Another development of importance to E.C.S.C.'s external relations has been Austria's request for the resumption of talks on her association with the Common Market: in view of the volume of Austrian steel production and of the present state of the steel market, the High Authority is following the progress of the talks with the closest attention.

The impending signature of E.E.C.'s agreement with the African States and Madagascar is a matter for particular pleasure to the High Authority in that the agreement contains a special clause providing for the lifting of restrictions on trade in coal and steel.

As a result of the exceptionally hard winter, the question of the flow of fuel supplies has recently been again very much to the fore. Increased recourse was had to imports from third countries, though at the same time pithead stocks were substantially reduced. France was even obliged, in consultation with the High Authority, to introduce emergency measures to safeguard her supplies, though for a limited period only.

The unusual weather conditions apart, however, 1962 saw a further decline of about 2% in the demand for coal. The reconstruction of the Community coalmining industry has duly proceeded. Production was scaled down to 227 million metric tons, and the contraction continued in the first few months of 1963. Rationalization has been expedited, and the process of mechanization is being stepped up, more particularly in order to make good the growing shortage of manpower.

Underground output per man/shift in the Community further increased in 1962, to average 2,180 kilogrammes, 6% more than in 1961. The reorganization which has been in progress for several years in the various coal-producing countries has enabled production to be better adjusted to the new structure of demand. As hon. Members will recall, the Belgian coal market was in 1960 placed in "partial isolation" from the Common Market, but thanks to the progress of the reorganization operations the restrictions were gradually relaxed, and from January 1 of this year the Belgian market became once more part of the Common Market as a whole. For 1963 the High Authority has consulted the Council regarding a new arrangement for the implementation of Article 37, but it has not as yet considered it desirable to take action.

Last year the President of the High Authority reported that a disagreement had arisen between the Belgian Government and the High Authority as to the compatibility with the Treaty of an Act passed in 1961 setting up a controlling

Board for the Belgian coalmining industry. The Belgian Government has undertaken not to apply for the time being the provision of the Act which the High Authority considers to be incompatible with the Treaty. Having thus firmly asserted the rights assigned it by the signatories to the Treaty, the High Authority is now awaiting the proposals of the Belgian Government, with whom the initiative at present rests.

In order to safeguard the German market, the High Authority in 1959 recommended the Federal Government to impose a duty on all coal entering the Federal Republic in excess of a duty-free quota, originally fixed at 5,000,000 metric tons: in 1961 this was raised to 6,000,000, and the same arrangement is to apply this year, as the High Authority considered that the state of the coalmining industry did not permit of its discontinuance.

On March 31 of last year the authorization for the Ruhr coal-selling arrangements, which had been operative along roughly the same lines since 1956, expired. The High Authority then had to give its ruling as to whether the mining companies' proposal to set up two independent selling agencies was compatible with Article 65 of the Treaty.

It temporarily exempted the projected agencies from the prohibiting clauses, but on condition that they were kept more clearly and basically distinct from one another than the companies had proposed; at the same time the

duration of the agreements was reduced, the exemption being granted for only three years instead of five. Joint recourse by the two agencies to the services of Ruhrkohlen-Treuhand and Ruhrkohlen-Beratung was authorized only in respect of purely technical matters not affecting either the agencies' independence or their legal and economic autonomy. Permission was refused for the export of Ruhr coal through a combined sales network, the High Authority insisting that each agency must deal with third countries through its own export companies.

The High Authority judged that the respective shares of the two agencies in total sales within the Common Market were not so large as to constitute a threat to the degree of competition provided for by the Treaty. To keep a check on the operation of the system, the High Authority is to have inspections carried out, to enable it to establish at a later date whether the new arrangements are working satisfactorily.

In 1962 the share of coal in the coverage of total Community energy requirements underwent a further contraction, to 48.5 %, while that of oil increased further, to 33.5 %. The decline of coal and the problems posed by the substitution process are making it more and more imperative to introduce a common energy policy.

In accordance with the instructions given it in Rome in April of last year, the High Authority, with the E.E.C. and Euratom Commissions, on June 25 laid before the Council of Ministers a Memorandum containing proposals for the

establishment of a full-scale Common Market for energy.

The High Authority's departments, in co-operation with those of the other two Executives, early this year published an important study on the long-term energy outlook in the Community. This document, the first of its kind, forms the essential statistical basis for dealing with the problem of Europe's energy supply.

The Council of Ministers, by agreement with the three Executives, recently set up two special committees for the joint examination of the energy question. The first, which is concerned with the technical aspects, is required more particularly to examine the facts and figures indicated by the study on the long-term outlook. Its terms of reference were approved by the Council on April 5, and it started work forthwith; it has drawn up a timetable for its activities, which are to continue up to mid-May. The second committee, dealing more with the policy-making side, is to go into the various alternatives involved in the choice of a Community energy policy, partly on the basis of the Executives' Memorandum, but also taking into account the comments voiced on the Memorandum by the Council. Its terms of reference were approved by the Council on May 2; it is to sit with a High Authority chairman, and to report to the Council by October 31 of this year.

Also in accordance with the directives given it in Rome, the High Authority has indicated to

the Council the amendments it considers should be made to the Treaty of Paris, in order, *inter alia*, to enable the principles set forth in the Memorandum to be implemented.

To this end, it has submitted to the Council for examination (not under Article 96 of the Treaty) a draft agreement among the member States. In this, in accordance with the Memorandum, it proposes that the Community Institutions should be given the necessary powers to conduct a common commercial policy of the same kind as that provided for by the E.E.C. Treaty ; to introduce greater flexibility into the rules of Article 60 of the Treaty of Paris with regard to coal ; to institute and finance a system of Community assistance for indigenous coal production, to authorize, subject to its supervision, inter-colliery agreements for the implementation of reconstruction programmes, together with joint-buying and/or joint-selling agreements ; and during the transition period to take such special action as may be necessary to secure adequate adjustment to the Common Market for energy. Incidentally, as we have already been able to explain to your Committees, the draft provides for an extension of the European Parliament's legislative powers.

The steel market in 1962 behaved much as it had begun to do in 1961, with imports rising and production stagnating. Crude-steel production was slightly below the levels for 1961 and 1960, with about 73 million metric tons. The question is whether the present slackening in the growth of steel requirements — in contrast to the sus-

tained expansion of economic activity as a whole — may not be, at any rate partly, the result of a new structural trend in which expansion is faster in the sectors consuming little steel, and of improvements in the various manufacturing techniques leading to lower specific consumptions of steel than formerly.

Over against this turnaround in demand, the expansion of production capacity has resulted in an inflated supply. The consequence in the Common Market has been stiffer competition, which has stimulated trade between the member countries and has caused a steep rise in the degree of price interpenetration, owing to the very numerous sales by alignment on lower price schedules within the Common Market.

In addition, Community producers have been encountering keener competition in the world market. The Community's steel exports dropped over 10% from 1961 to 1962, from 13,800,000 metric tons to 12,400,000, while its imports rose by nearly 35%, from 2,500,000 tons to 3,400,000.

The flow of abnormally low-priced third-country quotations has caused massive resort to alignment in the Common Market. Towards the end of the year this was being practised on such a scale that the High Authority was obliged to remind enterprises of the conditions on which alignment could be legitimately engaged in under the Treaty.

The Community is, notwithstanding this turn for the worse, still a net exporter of steel; at

the same time the change in the situation is a matter for concern, inasmuch as the maintenance of a balanced business position has hitherto depended for many Community enterprises on their ability to sell fairly extensively in third countries.

The High Authority has kept the Special Council of Ministers regularly informed concerning the disquieting trend in the steel market. In recent weeks the position has worsened still further, and the High Authority on May 2 urged upon the Council the pressing need for appropriate steps to deal with the situation. It put forward a number of practical suggestions concerning commercial policy, emphasizing what a very serious blow it would be to the Common Market for coal and steel if the steel sector were to be unbalanced by the effect of imports as the coal sector has already been — a development which would indeed disrupt the Common Market. (The High Authority is studying the possibilities offered by Articles 74 and 75 of the Treaty with regard to steel imports.) It also drew attention to the implications of any decision by the steel producers to revise their investment programmes. The Council agreed that the matter was urgent, and set up a special working party of Ministers and Members of the High Authority to submit a report and proposals as soon as possible.

To achieve the objectives of the Treaty, to ensure market transparency, it is essential that those immediately concerned should know the

rates and conditions of carriage being charged. Since the inception of the Common Market, the published railway tariffs have served as the reference basis for a great part of the traffic flows in the Community. The Treaty, however, requires the publication or notification to the High Authority of the rates and conditions for all modes of transport — that is, including road haulage and inland water transport.

To secure the implementation of this provision, the High Authority in 1961 issued a Recommendation, against which, as the House is aware, two Governments appealed to the Court of Justice. However, in its judgment of July 12, 1962, the Court ruled the Recommendation to be in conformity with the Treaty, and spelt out the obligation on the member States to see to it that the proper publicity was given to the rate schedules for all modes of transport.

The selection of the means to this end is left entirely to the member States' discretion, but whatever means they do select must be calculated to ensure that carriers' rates and terms are so published as to make possible, firstly, the elimination of discriminations, the introduction of international through-rates and the harmonization of rates and conditions of carriage, and secondly, adequate knowledge of the rates and terms to permit of correct alignment within the Common Market. This latter point means in particular putting an end to the practice of not disclosing rates and terms which deviate from the published schedules.

While the choice of means is thus left to the member States, the High Authority's task is to examine in each case how far the measures they propose are adequate to the purpose. This is necessarily a somewhat complicated business. However, the talks with the Governments are proceeding in an atmosphere which gives reason to hope that the High Authority's recent endorsement of the Italian Government's proposed line of action will shortly be followed by further practical progress. The High Authority recognizes that there must be co-operation in framing a common transport policy firmly based at once on the Coal and Steel Treaty and on the Treaty of Rome.

The High Authority is happy to be able, with regard to the transport sector, to stand before the House in the assurance that it is now set on bringing to a successful conclusion an operation which last year appeared unpromising in the extreme.

The trend in the coal and steel markets has inevitably affected the level of employment. The labour force of the Community coalmining industry underwent a further contraction in 1962, though a rather smaller one; so did that of the iron-ore mines and, in a minor degree, of the iron and steel industry. Short-time working at the collieries due to poor sales, on the other hand, fell practically to nil.

Most of the readaptation operations effected in 1962 concerned colliery workers, but some did also have to be done for personnel from the

iron-ore mines, and even from the iron and steel industry. (The iron-ore mines are beginning to feel the effects of the increasing tendency on the part of the Community iron and steel plants to use high-grade ore from third countries.) In 1962 alone, seven and a half million dollar units of account were allocated for the readaptation of close on 28,000 workers.

In addition to its readaptation work, the High Authority is continuing the activities begun in 1961 in the field of industrial redevelopment. In 1962 it part-financed redevelopment schemes in the Borinage and in Auvergne.

Alongside its measures to safeguard workers' incomes, by individual readaptation and by area redevelopment, the High Authority in pursuance of its drive to improve their living standards launched a fifth workers' housing scheme. With the funds supplied it by banks and credit institutions it hopes to finance the building of another 25,000 housing units.

The High Authority's financial policy in 1962 and early 1963 has continued on the lines the House by now knows. In 1962 the High Authority contracted various loans in European capital markets both inside and outside the Community area, and in the American market, to a total value of about 70 million units of account. Most of the proceeds were re-lent to the coalmining and iron and steel industries for modernization projects, in line more especially with the High Authority's General Objectives. A substantial portion — 17 million units of account — was

allocated for workers' housing and for redevelopment operations.

Mr. President, ladies and gentlemen, this year marks the tenth anniversary of the introduction of the Common Market for coal and steel.

The High Authority is bringing out, in conjunction with its Eleventh Annual Report, a review of these past ten years. This is the work of several eminent economists, to whose observations the High Authority is appending its own conclusions on the subject. It is hoped to forward this document to hon. Members in time for the June Session.

I should like to take this opportunity to touch on some of the salient developments during this period, and on the conclusions which suggest themselves.

The Common Market came into being at a juncture when the process of emergence from the devastation wrought by the war could be regarded as complete. Europe was preparing to concentrate on economic expansion. And the Common Market for coal and steel was to be the foundation for that expansion.

Coal production climbed steadily from just under 240 million metric tons in 1952 to just under 250 million in 1956. From 1952 to 1956, when coal was in comparatively short supply, the High Authority applied itself to getting Government price controls gradually done away

with and the Treaty's rules of competition gradually brought into effect.

Then, quite suddenly, this period of tightness was succeeded by a glut. The turnaround began, hon. Members will recall, in the second half of 1957, and was felt in full force the following year.

The High Authority immediately took steps to face up to the new situation. In 1958, to permit greater flexibility in lowering prices and so help the coal industry to hold its ground against petroleum products, it broadened the entitlement to price alignment. But it soon became obvious that special measures were needed. The High Authority thereupon invoked Article 95, first to enable it to help finance the holding of the by now badly swollen pithead stocks, and again so that it could furnish assistance for miners placed on short time.

In view of the seriousness of the situation, the High Authority then sought to have a "manifest crisis" declared under Article 58, so as to be able to make orderly arrangements for cutting the supply of coal down to size. However, as we know, the Council of Ministers declined to authorize this.

Since there was, then, officially no "manifest crisis," the High Authority was compelled to abide by the strict terms of the Treaty, which meant that it had no fully effective weapons to its hand. I should add, however, that Article 58 would in any case only have permitted action

in the coal sector, whereas what is really needed is a series of measures covering the energy market as a whole. In the absence of any such co-ordinated scheme, the coal-producing countries have reacted in a variety of purely empirical ways.

The policy outlined in the Memorandum is designed to prevent the formation within the Community of distinct energy price zones so sharply differentiated as to constitute a genuine threat to general economic integration.

The steel market has developed differently. From the spring of 1954, the Community iron and steel industry expanded at startling speed — with one very temporary setback in 1958 — up to 1960. Community steel production has shot up over these ten years to an unprecedented extent, from 42 million metric tons in 1952 to 73 million — just under 20% of the world total — in 1962. The six countries have increased their combined share of Western production during this period, although last year the Community had to relinquish its position as the second largest producer area in the world to the Soviet Union.

The increase in steel production, then, has been substantial — a circumstance largely contributed to by the operation of the Common Market, which has enabled an already favourable business climate to produce its full effects.

One consequence of the changed supply position regarding third-country coal and high-grade

iron ore has been that seaboard steel plants, earlier confined to countries possessing little or no coal or ore of their own, have been springing up also in the countries which do have quite substantial indigenous resources in this respect. These coastal works are expected by 1965 to account for 10 % of Community steel production.

Then again, technological progress is obliging enterprises to use ever larger and costlier installations, and this too is affecting the structure of the market, since if there is to be optimum utilization of this capacity the enterprises themselves need to enlarge, and so are encouraged to go in for concentrations on a greater scale.

The High Authority appreciates the advantages of concentrations, especially in view of the considerable savings they offer. At the same time, it is anxious to safeguard active competition in a market which is becoming increasingly oligopolistic. Accordingly, it has made extensive use of its power to issue conditional authorizations for projected concentrations. Also, it has laid down that joint ventures come within the terms of Article 66 of the Treaty. The High Authority has received repeated encouragement from the House to pursue this policy.

Since 1960 a certain stagnation has been observable in the steel market. Production has levelled off, and net exports to third countries are falling. Quite apart from the competition from the traditional Western sources, America,

Britain and Sweden, the Community is now facing steadily-intensifying competition from Japanese firms and from the Eastern bloc — where, incidentally, pricing is conducted on very different lines from what it is in the West. Moreover, sooner or later supplies will also be coming into the market from the emergent countries. The whole position of our iron and steel industry in the world pattern is changing. We are following this trend with the keenest attention.

The developments in the coal and steel markets have of course had repercussions on the level of employment. The total manpower of the iron and steel industry has increased, whereas the coalmining industry has in ten years lost something like 300,000 of its personnel — one-quarter of the number employed by it at the introduction of the Common Market.

Under the readaptation arrangements, approximately 150,000 redundant workers in all have received or are receiving assistance, representing a total disbursement of 55 million units of account since the Common Market was established.

As regards industrial redevelopment, the High Authority first took action in 1961. It is too early to make a proper calculation as to the number of employment opportunities which will be created through the redevelopment schemes to which it has contributed — at a rough estimate, perhaps 6,500, not counting the multiplying effect of the investment concerned.

This is a modest figure. Redevelopment is unquestionably a very much more difficult business than is sometimes imagined. Which suggests highly pertinent conclusions with regard to economic integration in general.

The High Authority has also sought to improve the living conditions for the labour force by launching five building schemes for the provision of workers' houses. When the scheduled 81,000 dwellings have been completed, the High Authority will have contributed something like 100 million units of account in direct loans, to which should be added nearly double that sum mobilized in the form of supplementary loans extended by credit institutions in the different countries.

And to help safeguard the workers from risks to life and health, the High Authority has subsidized a large number of major research projects in connection with industrial medicine.

The Treaty requires the High Authority to promote co-ordinated conduct of investment activities, and provides it with various means to this end, of which the most important are the General Objectives and the opinions it may issue concerning enterprises' investment projects. As the President of the High Authority was able to show the House at the exchange last autumn, these have proved exceedingly valuable for the long-term orientation of coal and steel production. A most useful co-operation for the general good has grown up between the European public authority responsible and the industrial circles in the countries concerned.

To quote one recent instance, two years ago we drew up the 1962 General Objectives for steel. These indicated an impending overcapacity in certain production lines — a trend which was further accentuated by the state of the steel market in the past year. Many enterprises have since scaled down their investment programmes, or are endeavouring by means of specialization agreements to tailor production to the foreseeable demand. There can be no doubt that the overall picture which emerged from the General Objectives did much to bring home the problems of the iron and steel economy.

The High Authority has been able to support its long-term policy by lending funds towards particularly worth-while industrial projects on exceptionally advantageous terms. It has itself raised the moneys for this purpose by contracting loans to a total value, to date, of 350 million units of account; in addition, it has arranged by indirect means for enterprises to obtain further funds to a total of 150 million units of account, of which 70 million have so far been repaid.

The High Authority has also aided technological progress in the coalmining and iron and steel industries by providing substantial subsidies to promote and facilitate research: the projects it is sponsoring at the moment include the development of a machine which will enable much of the work below ground in the pits to be automated, and two other major studies in connection with automation in the iron and steel industry.

Mr. President, ladies and gentlemen, this brings me to my concluding remarks.

In the past ten years, an unprecedented expansion has favoured the world economy, and the European economy in particular. The Common Market for coal and steel was one of the instruments that enabled us to get our economies in trim from the start.

Today, after ten years of experience, I am happy to draw attention to some elements in the Treaty of Paris which have especially stood the test.

I have told you of the General Objectives and the specific rules for the basic industries concerning competition. I have told you also of the results of the use which the High Authority has made of the means of direct action afforded by the Treaty with regard to the social field, to research and to investment. We feel that these means have done much for expansion in the sectors we are responsible for integrating. The difficulties we have encountered must never blind us to the positive results achieved.

At this time when there is talk of a *relance européenne*, to include a redistribution of the Institutions, the High Authority would confirm that it is, as it informed the House at the exchange with the Council on the subject, in favour of the principle of a merger of the Executive.

The High Authority considers that the projected merger should be embarked on as a first stage in a merger of the Communities, to be

completed by the end of the transition period for the Common Market. But a merger of the Executives itself has many practical advantages not to be underestimated. At present the adoption of agreed positions by the Executives requires laborious inter-Community negotiations: obviously with a single High Commission decisions could be arrived at much more expeditiously.

While the High Authority is anxious, as it indicated in the energy Protocol recently submitted to the Council of Ministers, to have certain amendments made to the Treaty of Paris, that is not to say that it wants the whole Treaty revised. On the contrary, it would strongly emphasize that it feels the Treaty to have done its job admirably with regard to the General Objectives, opinions on investment, contributions to research, financing and so on, and that every use should be made of it in tackling the question of the merger of the Communities.

Finally, on behalf of the High Authority, may I say that we hope our co-operation with the European Parliament will become still closer in the future.

We are convinced that the Parliament can and must play a role of increasing importance in the Communities' affairs. It is with that thought in mind that in our draft energy policy we have provided for a simplified Treaty revision procedure whereby its endorsement would to some extent replace ratification by the national Parliaments.

We ask you to help us further in the future. In particular, I feel the House could suitably declare in favour of the energy Protocol before the debates in the Council of Ministers and the national Parliaments.

Mr. President, ladies and gentlemen, it is an unquestionable fact that the Europe of the Six, thanks to the Common Market, has become a major radiant and magnet in the free world. From the Common Market has developed one of the greatest successes of the West since the war. The third countries are becoming more and more drawn to the Community. We for our part await, with an open mind but with confidence, the forthcoming negotiations in Geneva for the establishment of an equal partnership between the United States of America and Europe.

The High Authority, in close co-operation with the E.E.C. Commission, will be associated with these negotiations. The importance of the products under its jurisdiction, and the difficult problems now arising in respect both of coal and of steel, are indicative of the contribution it can make.

The Common Market for coal and steel is entering on its eleventh year at a juncture when, after ten years of progress often under difficulties, new potentialities for progress, and new difficulties, are developing. The High Authority trusts that our countries will have the courage to make the most of the favourable opportunities offering themselves, and to show that Community-mindedness without which our work has neither meaning nor future.