



# NEWS

*from the*  
**EUROPEAN COMMUNITY**  
*for Coal and Steel*

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VICE PRESIDENT OF THE CONSULTATIVE COMMITTEE OF THE  
EUROPEAN COMMUNITY FOR COAL AND STEEL  
at the Duquesne Club, Pittsburgh, Penna.,  
October 22, 1954, 12:15 P.M.

Thank you, Mr. Denby.

Gentlemen, you will, I hope, forgive me for resorting to the aid of a text. It is a discretion which, in view of my lack of fluent English, becomes the better part of valor. Also it is important that I present accurately to you a subject which is vital to me and to millions of other Europeans today.

The subject, of course, is European unity. I must necessarily talk to you only about the aspects of economic unity in Europe because I am a businessman and economist, not a military man or politician.

We Europeans believe that by creating a community market system without tariffs and trade barriers -- as it exists in the United States -- the production and productivity of our economy will be increased considerably -- for one purpose: to raise the European standard of living. This is a human requirement for the revitalization of Europe. It is also, as you well know, a political factor of great significance in Europe where Communism feeds upon poverty and grows fat upon disunity and nationalism.

The Western Europe of which I speak (at the present it consists of France, Italy, the Benelux countries, and Western Germany) has a population of some 160 million, approximately that of the United States. The number of employed persons totals 74 million which is even higher than in the United States where 62 million are employed. But the income of Western Europe amounts to only \$528 per capita as compared to \$1,848 in the United States; that is, three times as much.

Although natural resources in the United States are more plentiful than in Western Europe, we have the advantage of a greater density of population which means lower costs for transportation. In Western Europe, 268 persons, or consumers, live in an area of one square mile. In the United States only 40 people live in the same area.

This population factor emphasizes the fact that economic nationalism can only hinder the productive potential of Western Europe.

Tariffs and trade barriers render the exchange of products difficult and lead to wasteful, non-productive industry practices within the various nations.

Such reflections as these have brought about in Western Europe the desire to create a uniform economic area -- an area without tariffs, import and export restrictions, protectionism, subsidies, and other artificial barriers.

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Today many European economists share the opinion that particularly in view of the failure of the E.D.C., economic and political integration has to be pushed forward more urgently than ever. The first step, therefore, is to strengthen and develop existing European markets and to wipe out economic boundary lines.

We, of the European Community for Coal and Steel, plan to establish in Europe a common market with as many consumers in a single economic area as are contained in the United States domestic market. A market which would grow through the eventual inclusion of Scandinavia, Spain, Portugal, and possibly Great Britain and Austria.

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This need to create a common market has been evident in Europe for a long time past. Political developments, however, had retarded its realization.

One prerequisite for the functioning of a common market is uniform currencies -- or at least genuinely-convertible currencies.

Toward this end, common economic policies and common financial policies have to be adopted. It is on this platform that political unification will have to be brought about. A political community -- you may prefer to call it a United States of Europe -- will be created only if the plan of a common market becomes a reality.

Such a community naturally requires common political institutions, and common military power such as represented by the E.D.C. The French Parliament has rejected E.D.C. Now the nine-power London pact has been agreed upon -- a substitute based on the view that Germany's contribution is essential to Europe's military defense. But the solution of this issue is a task for politicians and not for economists. Therefore, I do not feel competent to discuss this particular aspect of unity.

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I want to speak now about the first practical realization of economic integration, namely, the European Community for Coal and Steel, which we Germans call the Montan Union. This Community was formed on the proposal of the French statesman Robert Schuman. It provides for federal authority over the coal and steel economies of six nations.

The Treaty creating the Coal and Steel Community went into effect in August, 1952. In 1953, tariffs and quota restrictions between the six member nations of the Community were lifted. All six nations were placed under obligation to make currency available at any time to enterprises for the purchase of coal and steel within the Community.

For the benefit of this joint market -- certain principles have been established, providing for every member's equal access, irrespective of nationality, to the production output and, provided that comparable business transactions exist, to supplies at equal terms. Discrimination against individual buyers because of nationality -- in pricing and delivery terms -- has been prohibited, along with restrictions to free enterprise. Thus the maintenance of free and fair competition has become the High Authority's means for increasing Western Europe's productivity and production.

Coal and steel from various production centers now are marketed where they can be utilized in the most efficient and economical manner without being hampered by national boundaries and tariff restrictions. Coal mined in the pits of my company, near Aachen, not far from the Dutch and Belgian borders, needs no longer look to the distant markets of Southern Germany. It is now shipped to nearby markets in France, Belgium and Holland. On the other hand, Southern Germany is now, to a large extent, being supplied from mines in Alsace-Lorraine and the Saar territory -- from French regions nearer to Southern Germany than Aachen. Thus the common market for coal and steel has been created.

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The first European community in the economic sphere has its own organic structure. The High Authority represents the executive branch or more broadly speaking, a European Ministry for the coal and steel industry. Under the treaty governing the Community, comprehensive authority has been delegated to the High Authority. Individual nations have waived their sovereignty in these industries and only the High Authority has the right to make decisions. This renunciation of sovereignty is most important. It means decisions can be reached even if a nation should not agree. The High Authority in fact has certain governmental powers and thus constitutes the beginning of a European government authorized to reach decisions serving the interests of the Community rather than individual states or enterprises.

The High Authority is supported by a Council of Ministers made up of cabinet ministers from the six nations. The Council's chief task is to assure harmony between the Community's federal policies affecting coal and steel and the national policies of member states regarding other sectors of their economies.

This problem of partial integration creates numerous difficulties which must be dealt with.

In certain instances the High Authority depends upon the approval of the Council of Ministers before reaching a decision. In other cases, the High Authority is obliged by Treaty to hear the Council.

There is also the Parliament of the Community which is known as the Common Assembly. It consists of delegates elected from the parliaments of the individual member nations. The parliament supervises the High Authority and is empowered to enforce by vote, resignation of the High Authority. Its mandates, however, are still very few. For instance, it has no right to maintain its own budget. Nonetheless, it is the first European parliament.

The third power within the Community is the Court of Justice. This body bases its decisions on the provisions of the 1952 Treaty which created the Community. In cases where the High Authority interferes with the privileges of private enterprise without sufficient authorization, enterprise owners may appeal to the Court.

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As a last constitutional body of the Community, I should like to mention the Advisory Committee of which I am a member and of which I was privileged to be the President, during the first year of its existence.

This is a group of 51 men -- representatives from industry, labor, consumers, and distributors. The Advisory or Consultative Committee acts in an advisory capacity to the High Authority. The High Authority seeks the advice of the Committee before reaching most of its decisions. But it is not obliged to follow the advice. For the individual industry, the Consultative Committee is especially significant because it is the only organ within the Community in which individual companies are enabled to take active part. Thus they can directly exercise their influence on the development of the European Community for Coal and Steel.

This is particularly important since it is the task of the High Authority to deal with many practical and technical problems in two most important industries. They frequently are in need of counsel from a non-political group to off-set the necessary political orientation of other Community bodies.

The Consultative Committee is nominated by the Council of Ministers as follows: 1/3rd of the members are producers of coal or steel; 1/3rd are labor delegates who have been nominated by the free trade unions; and the last 1/3rd represent consumers and dealers in coal and steel. The Committee therefore shows rather a varied composition.

During its first year the consultative group met frequently to help settle many questions arising in the creation of a common market. A fruitful cooperation developed between the three representative groups during that time. The fact that representatives from different social and economic groups became acquainted and learned to respect one another in the course of their activity has largely contributed to widening the idea of European cooperation.

Of what nature, then, were the decisions that had to be reached by the Consultative Committee?

When the joint market was first initiated, price regulation principles had to be set up as well as the regulations prohibiting discrimination against consumers because of nationality. In carrying out these tasks, quite a number of the Consultative Committee members, through their first-hand knowledge of prevailing problems, rendered valuable assistance to the High Authority. Originally, as empowered by Treaty, the High Authority fixed ceiling prices on coal and steel to prevent unreasonable price increases, as had happened up to a year ago, when supplies were short. After hearing the Committee members the High Authority abandoned the ceiling prices for steel and began to lift the ceiling for coal as well. This meant yielding the responsibility of price control to the entrepreneur.

We had not known this situation to any extent in Europe for some decades. Coal prices were regulated everywhere and steel prices nearly as much. Formerly coal prices had been based mostly on political rather than economic considerations.

At the present time, problems relating to cartels are undergoing study. That is, the High Authority is studying ways and means to implement Treaty articles calling for the prohibition of cartels.

Today there are no steel combines within the range of the Common Market System. But in the coal industry, various mining areas maintain collective sales organizations which are a form of cartel and which many have justified from the social and economic point of view. The structural form of these sales organizations are also a matter of concern to the High Authority. Of course, between the mining areas, competition still exists with the exception of regions where the mining industry has been nationalized -- for instance in France. But principally a community for coal and steel now has been instituted between the six nations.

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Actually the European Community for Coal and Steel is the first truly European federal government vested with its own rights and its own legal organs. It is empowered by treaty to maintain its authority for a period of fifty years in the mutual interest of the European community. This collective market operates on the principles of fair trade, and its effects on the productivity in the field of coal and steel will become conspicuous in due time.

Increased productivity, invited by a larger market with mass production, rationalization, and standardization, at the same time calls for modernization of equipment which in turn means investment. It is a well known fact that in this respect we in Europe have lagged behind. In some cases, owing to lack of capital it was not possible to keep pace with the technical development. The building of larger production units is now becoming possible but these require large new investments.

In order to facilitate improvements, the High Authority by virtue of the Treaty, can assist companies in securing investments. The Authority, by its right to levy taxes on the producers of coal and steel, has established a credit fund to help finance important projects. As a first step, the High Authority borrowed 100 million dollars from the U. S. Export-Import Bank. This loan, concluded in May of this year, was made for a 25-year period at three and seven-eighths per cent interest. Allocations from this loan are now being made to coal producers for capital improvements to cut production costs for various types of coal.

Thus the Community is contributing to the productivity increase of coal and steel in Europe by establishing a larger market of free competition, and by aiding in the financing of investments.

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What has the European Community offered the producers? For one thing, they now have a larger market and keener competition than they had before. In some respects they had to adapt themselves to the new situation. Within the range of the Common Market, they had to apply equal prices to comparable transactions; on the other hand, they no longer had to cope with double or dumping prices of their competitors. Neither can they rely any longer upon a domestic market hitherto reserved to themselves. On the contrary, they are confronted everywhere by the competition of other member countries of the Community. For compensation they now have access to the entire collective market -- and it will be an expanding one. The partitioning of markets by the cartels, especially the steel trusts, had to cease; and, consequently, competition has become sharper.

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Obviously there are positive and negative factors, but when viewed from the standpoint of collective interest, the positive factors prevail. Looking at the overall accomplishments of the Community to date, I believe the most important achievement is that in two economic fields of such importance, it has been possible to create a European Community of six nations, and to gain new and invaluable experience regarding economic integration.

We realize that economic integration will not be achieved without sacrifices. Uneconomic producers will have to retire from the market, letting better ones take their places, if costs and prices are to be lowered and living standards raised. Such developments progress slowly, but they are in the stage of being brought into effect.

There is also the possibility of new social problems arising from unemployment. This, in view of the density of the working class population in the European industrial areas, may lead to grave political consequences.

For such an emergency, financial aid administered by the High Authority is provided for by the Treaty for worker rehabilitation, retraining, and to create new jobs. Some marginal operations already are being closed down. It remains to be seen what the outcome will be -- whether or not the Community will or can accept the social consequences.

In my opinion, experience has proven that partial integration -- that is the restriction of the common market system to coal and steel -- creates rather complicated problems. As a matter of fact, the common market system is thought of as resulting in increased productivity, mass production, and greater efficiency. But the desired increase in coal and steel productiveness constitutes a distribution problem and also a problem of greater consumption.

The consumers of coal and steel have not yet benefited from a larger market and therefore, they cannot be readily enticed to find means of increasing consumption.

Care must be taken to encourage the greater purchase of heavy consumer goods such as automobiles, or refrigerators, before there is a market available for the expanded steel output. In other words, the joint market for coal and steel will reach its intended efficiency only when a common market for the consumption of coal and steel is established -- or as soon as the demand for increased consumption becomes evident. Perhaps it would have been more expedient to begin with the common market system in a field of products nearer to the level of general consumption. Many people hold that the further partial integration of other branches of the economy according to the experience gained from the Community would be wrong. They believe we should take a direct course toward a total integration of the European national economies.

These arguments are justified to quite an extent. There are others who fear that a sudden and total integration of the European national economies, by establishing a currency and tariff union, would be accompanied by grave economic dangers during the period of transition -- dangers which could not be dealt with at once. Unfortunately too many sectors of Europe's partitioned economies are developed and maintained artificially by protective measures or subsidies. Many problems will still arise over this point.

Nevertheless, in order to fulfill the purpose of the Community, it is necessary to continue with the integration. We must either unite all national economies in one collective market system or, for the time being, join together in one market system all the sectors of the national economies which are based on a large coal and steel consumption. Increased productivity and greater consumption are so closely related that the present situation cannot last for long.

A further inherent threat is the encroachment by super-national authority upon production freedom -- the danger of "managing" or "dirigesme" as it is called in Europe. The Treaty provides the High Authority with far-reaching powers vis-a-vis the individual producer. Under certain conditions



the High Authority is authorized to fix ceiling and minimum prices. We know that the High Authority so far has made little use of this right and that it plans to relinquish it completely. The High Authority is also entitled to take measures regarding allocations. Up to now, it has not done so and considers this power merely as an emergency possibility.

The High Authority is further empowered to take action on the issue concerning cartels and trusts. Here, too, it has deployed its privileges with utmost precaution. Finally the High Authority is authorized to exercise control over the investments of entrepreneurs by passing judgment on the reliability and value of capital investments. So far this right has not yet been put into practice.

It can be said that the High Authority has not succumbed to the danger of managing and attention should be paid that it does not happen in the future.

It has been observed that the parliament shows certain inclinations in that direction. As I said before, its powers are quite limited and perhaps for this very reason it attempts to expand them.

The Community is usually concerned mainly with practical and technical problems. The parliament occasionally tries to deal with such matters also. These may range from evaluating a plant production situation to judging the impact of an investment in a certain sector of the economy. There is danger that parliamentary influence may be detrimental to decisions which should be left to the discretion of the entrepreneurs themselves.

I have tried to present to you a survey of the primary stages of advancement along the road to the economic unification of Europe today. You can readily see that while we have not reached our goal yet, a good start has been made.

The Nations of Free Europe today hold a position between two great world powers, the United States of America and the Soviet Union. The imperialistic trend of the Soviet Union with her world revolution tactics threatens them and has progressed to a stage where Germany (truly the heart country of Europe) is split into two parts by the Iron Curtain, a condition under which our people are suffering exceedingly. Europe is not even in a position to defend herself. Her defense depends on the United States of America. We are grateful for the economic and military aid granted to us by the United States of America, but Europe has to become independent again both economically and militarily. To regain this independence it is necessary to raise the standard of

living. Only when all social classes of the European people consider their life worthwhile, are they prepared to defend this life in its aspects.

The standard of living in the United States of America is much higher than in Europe and the very low standard of living in the Soviet Union is improving continuously, although it still may be quite distant from ours. Germans have had sad experiences with the Soviets. Many of us know from our own experience the low standard and the spiritual and mental terror of Bolshevism; therefore we are not very susceptible to Communism, at least as long as we are progressing economically.

Other European nations have not had this experience and therefore they are much more exposed to Communism. They too (especially France and Italy) and perhaps even more than Germany depend for their future political development upon the economic situation. That is the reason why we strive for the community market and the political unification of Europe.

My remarks demonstrate that in my opinion and in that of many Europeans, the most vital concern is the creating of one large collective market, and by securing it, the political unification of Europe. At times it appears that the issue of Germany's contribution to the military defense of Europe constitutes the real European problem. In my personal opinion this is not so. Nations will only defend a cause which deserves to be defended. Therefore one should first of all deal with the establishment of a community market, then the military problem will find its solution in logical sequence.

Thank you.

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