THE EUROPEAN COAL AND STEEL COMMUNITY

Address by Mr. D. P. SPIERENBURG

Member of the High Authority

before the Swedish Iron and Steel Federation

Stockholm, 6 October 1955

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May I first of all say a very special word of thanks to the Swedish Iron and Steel Federation for its invitation. It is an honour and a pleasure for me to be among you, speaking to an audience so well informed on economic matters, in the capital of a country which, in accordance both with its industrial tradition and with its position in Europe, is keeping a frequently sympathetic and always watchful eye on the various experiments in European Co-operation whose further developments affect the future of us all.

I should like, if I may, to tell you about what I have myself learned in the course of a particular experiment : the setting up of the Common Market for Coal and Steel. I have gained over the last three years considerable experience of the problems involved in setting up such a Common Market, through the part I have taken, first in the negotiations on what was known in those days as the "Schuman Plan", and then as a member of the High Authority in Luxembourg.

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WHAT IS A COMMON MARKET ?

To anyone with a certain experience of international economic relations, it is obvious that European commerce has lost the freedom it enjoyed before the first world war, and even, to some extent, up to the crisis of the thirties. As we know, imports, and to a lesser degree exports, are as a rule subject to licensing. Customs duties are often high. There are hundreds of practices, overt or covert, which distort trade, and prevent the movement of capital.

The causes behind this splitting up of the world economy into sealed-off national areas are manifold. The two wars which, in the space of twenty-five years, were fought out over this Continent, and the unprecendented economic and social crisis between them, played a cardinal role. The European States were compelled to withdraw into their shells, to employ an arsenal of defensive and aggressive measures and to extend systematically into the economic sector the national rivalries which had hitherto been chiefly confined to the political level.

These manoeuvres did, for a time, work. They gave an appearance of sheltering each country's economy from outside buffetings. But to anyone who views history over a sufficiently long period, and extends his field of observation beyond the borders of his own country, there is no doubt that these efforts to organize protective systems in fact harmed Europe as a whole. They served to enfeeble some of our national economies, to clog the development of others, to whip up political rivalries between States, and to lose Europe a good deal of weight and influence in a world which was being pushed by technological advance towards the formation of large unified blocs.

The need to get away from this state of affairs became acute all over Europe after the second world war, and efforts were made to do something about it. Our countries, with economic assistance from the United States, struggled to expand their trade while at the same time making good the ravages of the war and modernizing their industries. They realized they could not solve their problems separately. Therefore in 1948 they established the Organization for European Economic Co-operation, and in 1950 the European Payments Union. At the same time, the setting-up of the Council of Europe symbolized to public opinion the new lines on which the governments and parliaments of the different countries were now asserting their desire for co-operation.

Unquestionably these efforts have produced useful results. Progress has been made in liberalizing trade and payments. The volume of trade among O.E.E.C. countries has increased since 1950 in a higher proportion than the volume of world trade. The constant interchange of opinions and information in the various European organizations has got governments into the habit of meeting, and encouraged the emergence of a European way of thought.

Still, it must be admitted that progress has been laborious and governed by the hazards of escape clauses regarding which each member State is, ultimately, the only judge. Statesmen and economists in daily increasing numbers have come to doubt whether the means employed are sufficient to enable Western Europe to catch up with the United States and avoid being outstripped by the progress of the Soviet bloc.

The concepts of liberalization and convertibility behind post-war efforts at intergovernmental co-operation are themselves equivocal, in so far as they suggest there is an opportunity of restoring a golden age modelled on the theory of the last century, and which looks even more attractive in the form it is supposed it will assume in the future. In fact we are living in the twentieth century and conditions are quite different.

The old mechanism of free trade and the gold standard have been too profoundly changed to make it possible to restore the old factors making for lasting economic expansion by merely negative action. Modern production is concentrated in large units whose tactics in rivalry or alliance with one another are tending to take the place of the old apparatus of automatic market adjustments. Government action can affect economic processes at any moment in a hundred different ways. The trade situation and the level of business done in each country develop in a manner which is inevitably bound up with government decisions, pressure and influence. If international trade were liberalized it would still remain at the mercy of unilateral State action. Further even if the reintroduction of self-working adjustments such as existed under the Gold Standard were possible, it is perfectly certain, that these adjustments , with all the effects they would have on the level of employment and the movement of incomes, would not be accepted today by the vast majority of the population.

Many people began about 1950 to realize these points. They realized that it is not enough to take reciprocal action establishing a zone within which trade and payments would be free of restrictions. Over and above the action needed for the liberalizing of trade, over and above even the endeavours to arrange a Customs union, there began to be talk of something quite new - a Common Market.

What is a Common Market? Let me try to describe it.

The introduction of a Common Market incorporating economic areas previously separate, and aimed at achieving the most rational distribution of production at the highest possible level of productivity, is something much more than a mere liberalization of trade. It is not enough to abolish quotas or foreign exchange restrictions. When Customs duties are retained or reintroduced - and even raised, as has been known to happen upon a liberalization of trade - they can constitute just as strong a protection, and just as decisive an obstacle to a rational distribution of activities, as quotas themselves.

Certain kinds of transport rates can have the same effects as Customs duties, if not even more far-reaching ones, since protection can be provided to national industries by varying freight-rates according to the distance and lines of communication concerned.

Equally there would be no point in abolishing the impediments to trade caused by government restrictions and transport rates if further impediments were to be created by the producers themselves. Thus it is essential to see that no international cartels are formed to allocate markets and that no entreprises achieve what amounts to monopolistic positions enabling them to limit production or practise dual pricing.

The Common Market means, therefore, the abolition of quotas, foreign exchange restrictions, Customs duties, transport discriminations, allocation of markets, and dual pricing.

Other problems again arise as a result of the replacement of the old national markets by a single Common Market. These fall for the most part under the general heading of "harmonization" of production conditions, and, more generally, of economic policies. The word is a handy one, but the idea behind it is often enough a triffle woolly. Obviously, nobody is going to clamour to have all production conditions -taxation, wages, social security, credit - exactly the same everywhere: that could never be achieved entirely within a national economy where the different areas really do differ fairly widely in character. Pushed to extremes, insistence on identical production conditions would mean no trade and no progress. But the proper operation of a Common Market does require that there should be a limit to the disparities tolerated that a distinction should be drawn between those differences which are corrected as a whole by the rates of exchange in force between the areas concerned and those which call for specific correction one by one like subsidies, and, finally, that the economic policies of the member States should be channelled closer and closer together.

Without going in greater detail into all these problems - in any case, the theory of them is only gradually emerging as our experience progresses - it is obvious that a Common Market is characterized at least as much by the rules it imposes and the supervision it demands as by the impediments to trade it removes.

You don't open a Common Market, you introduce it. It is something which is done by stages, but which means you have to be on the watch all the time.

The introduction of a Common Market involves profound changes. It is therefore necessary to see that the transition from national markets to a Common Market is gradually effected. At the same time, it must be clear to all concerned that the development of the Common Market will not be reversed. Also, safeguards must be provided against measures which might distort the conditions of competition on the Common Market or against social upheavals consequent upon its introduction.

Transitional provisions are needed because, for many industries, long used to protection, adaptation to the sterner conditions of a competitive market may be no easy matter. Poorly placed industries need the time and the means to reorganize themselves to become competitive. They must be helped to have them.

No country considering whether it will commit its wealth to a Common Market could consent to do so if the resources it contributes to the common pool were to be squandered by an abrupt, unthinking plunge from the protected economy into the free market.

On the other hand, to carry through any structural reforms, it is essential that all concerned - governments, enterprises, trade-unions - should be quite clear that the Common Market has come to stay, and that the transitional provisions will ultimately come to an end. If no return to the past is possible they will act to meet new conditions and in doing so, encourage them to come about.

At the same time, it is necessary to ensure that the operation of the Common Market is not falsified by abuses of trade and distortions of the conditions of competition. A code of fair trade must be enforced.

Finally, the concept of the Common Market implies continuous change. If firms are not to be protected, they must be competitive. To compete they must lower costs. Lowering costs usually means more efficient machinery requiring less labour. In the past, labour has tended to resist technical progress because it threatened to deprive workers of their livelihood. The worker must have safeguards against this threat if competition is to lead to its logical conclusion - more efficient means of production and cheaper costs.

Theseare diverse and complicated tasks. It would be unrealistic to expect all the new outlooks and forms of behaviour they require to arise spontaneously with no machinery of enforcement. It is necessary, therefore, to make certain that the rules of operation of the Common Market shall not be infringed with impunity by anyone.

Would it be true to say that the introduction and operation of such a Common Market can be achieved simply by economic collaboration between governments, with representatives meeting regularly round a table to settle common problems by unanimously voted solutions? Hardly. Whatever progress may be expected from co-operation, experience shows that its limits are narrow. As soon as real difficulties arise, governments tend to take unilateral action. Either they disrupt the organization by this action or, as more often happens, they disappoint its hopes with the connivance of the other governments, who know they may have to request similar waivers in their turn.

To govern a Common Market an institution is required, that can arrive at decisions and whose powers are sufficient to enforce these decisions. If it has insufficient powers to enforce its decisions, the same dilemmas will arise as in intergovernmental organizations. Therefore it has been found necessary to delegate national powers to independent institutions with powers to act and to lay foundations secure enough for the Common Market to develop.

It was with these truths in mind - and with the desire, too, to have Germany fully integrated into a Europe in which Franco-German enmity is now realized to be outdated - that six countries responded in May 1950 to the call of Mr. Robert Schuman.

On April 18, 1951, the Treaty establishing the European Coal and Steel Community was signed. The Governments of Belgium, France, the German Federal Republic, Italy, Luxembourg and the Netherlands, in the preamble to that Treaty, stated that they were "desirous of assisting in raising the standard of living and in furthering the works of peace, and resolved to substitute for historic rivalries a fusion of their essential interets, and by creating an economic community to lay the foundations of a broader and deeper "community".

WHAT IS THE COMMUNITY ?

This Community covering two basic industrial products - coal and steel, together with iron ore and scrap - is essentially a Common Market governed by common institutions.

The object in establishing the Community was, in an economic area producing 240 million tons of hard coal and 40 million tons of steel per annum, to enable the consumers to obtain their supplies freely and without discrimination, and by this very fact to stimulate producers to develop productivity and output.

At the same time, rules were laid down to ensure that the transition to the Common Market should be made as easy as possible that there should be fair competition and that breakdowns in the development of production and employment should be avoided.

And to see that these rules were observed, institutions were established, which may seem somewhat complicated as regards organization, but were strictly necessary as soon as it was decided to go beyond the traditional methods of international co-operation. These institutions are the following.

A <u>High Authority</u>, to which I have the honour to belong, constitutes a kind of government for coal and steel. It consists of nine members. It is independent of the national governments, it takes its decisions by majority vote but it can only take them after very wide consultations, notably with a Consultative Committee of producers, consumers and workers which is attached to it. It must also make all its decisions public.

An Authority with real powers must act only subject to democratic checks, exercised by the <u>Common Assembly</u>, the members of which are designated by the different national parliaments. It follows the High Authority policy step by step, mainly through parliamentary Committees, and it can, by a vote of censure, compel the High Authority to resign in a body.

At the same time Governments, individuals and enterprises can appeal against any decision of the High Authority before the <u>Court of Justice</u>. The decisions of this Court of seven Judges are directly enforceable, throughout the Community area. Their judgments in all cases, whether for or against the High Authority are final.

Finally, the problems presented by the work of harmonizing the High Authority's action with those of the Governments responsible for the general economic policies of their countries are dealt with at meetings of the <u>Special Council of Ministers</u> of the Member States. In certain specified cases, the High Authority can act only with the agreement of the Council of Ministers. In nearly all cases the Council is required to take its decisions by majority vote.

By the end of 1952, less than six months after the implementation of the Treaty, the institutions were ready and working.

The High Authority now had to introduce the Common Market.

1. Introducing the Common Market meant first of all doing away with all barriers, simultaneously in the six Community countries to enable consumers of coal, steel, iron ore and scrap to obtain their supplies freely. It also meant abolishing all discriminations in relations between producers and consumers.

In fact there were practically no Customs duties on coal, iron ore and scrap, and duties on steel had mostly been suspended. France was, however, raising the prices of certain grades of imported coal in order to bring up the delivered prices to the level of home-produced coal. These price increases were abolished.

Quantitative restrictions were, on the other hand, frequent, both on imports and on exports. For coal nearly all the countries had a system of import and export licences; France controlled and limited its iron-ore exports; the Benelux countries had in principle import and export licences for steel; France in principle banned all steel imports and limited exports; as a rule none of the six countries permitted exports of scrap to each other. All these restrictions were done away with.

The removal of these impediments to trade, and the enforcement of the Treaty rules on non-discrimination, resulted in the end of dual pricing. Before the introduction of the Common Market, France used to sell iron ore to Belgium and Luxembourg at a higher price than to French works, and German coal was more expensive when it was exported. As regards steel, German and Belgian plate was exported at a price nearly 30% higher than the figure charged on the home market; French steel exported to Germany was sold at prices comparable to German home prices, which were well above French prices; dealers' rebates were arranged so as to benefit the home producer, and from the taxation angle German producers used to include in their invoices to foreign customers taxes on which they themselves were entitled to rebates.

All these discriminations were abolished in the Common Market.

In the transport field there were also a great many discriminations. For instance, the transport costs for Lorraine ore going to Belgium or Luxembourg were higher over the distance covered within France than those for ore on its way to French works. Again, coal from Lorraine and the Saar carried in Germany went at the standard rate, instead of getting the cheaper rate allowed on German coal.

The most important of these discriminations were suppressed, as regards rail traffic, upon the introduction of the Common Market. Since that time, action in the transport field has continued. All cases of discrimination notified to the High Authority have been dealt with by means of recommendation to the governments concerned, and the governments have without exception taken appropriate measures to get rid of them. In all, the first stage of the High Authority's action has changed the charges payable on the carriage of something like 45 million metric tons per annum.

The High Authority has not confined itself to abolishing discriminations proper. The Treaty also provides for the abolition of extra charges levied on freights as they cross frontiers. These extra charges have on the average made transport across a frontier much dearer than within a single country. Since the Common Market is increasingly leading

Community consumers to depend on supplies travelling across frontiers the abolition of these extra charges is a major contribution to ending the artificial disadvantages which formerly existed.

All restrictions on foreign exchange have been removed, so that today a shipyard in, say, Rotterdam or Saint-Nazaire wishing to buy plate from the Ruhr, or a manufacturer in Munich who gets better terms in Lorraine or the Saar, can procure as many guilders or marks or francs as he requires. The member States have undertaken to arrange for the necessary transfers, irrespective of their own internal regulations or their position in relation to the European Payments Union.

Again, the governments themselves had previously introduced numerous complicated systems of subsidies for certain producers, compensation schemes for prices, and special advantages favouring particular consumers. The High Authority had first to show up, and then to cut down, this congeries of regulations, which were only serving to distort competition.

As regards Belgian coal, the Treaty provides for a special five-year compensation scheme to enable the Belgian market to be fully integrated into the Common Market. During 1954, the High Authority, in co-operation with the Belgian Government, undertook a detailed examination of the position as a whole, in order to make sure that the results obtained really did mean that progress was being made towards the objectives which had been laid down. In May of this year, after two years of the transition period had elapsed, the High Authority decided to withdraw compensation from certain grades of coal, the price of which was thereupon freed, and to reduce it for certain profitable collieries. The Belgian Government for its part undertook to push forward the re-equipment, rationalization and overhaul of the Belgian coalmining industry. This implies that production will be concentrated in a lesser number of pits. A number of pits will gradually be closed down.

In addition to restrictions of trade by States, there are the restrictions by cartel organizations and monopolies. The High Authority has also taken action to eliminate these less visible obstacles to competition.

As regards coal, the High Authority has examined in great detail the activities of the big selling organization in the Ruhr, and of a number of others in Belgium and France. It gauged the complexity of the problems to be dealt with, and formed a definite opinion on the need to apply the disciplinary measures provided for in the Treaty. It has undertaken to make important and decisive statements to the Assembly of the Community in November next concerning the rearrangement of the whole system of coal agencies.

As regards iron ore, the French Comptoir des Mines de l'Est itself decided to end some of its activities. The scrap allocation organizations in the different countries were abolished in 1953, and not long ago a request for authorization to operate by a joint-buying agency closely akin to one of the organizations which had been dissolved was turned down.

Finally, as regards steel, the High Authority is making a series of investigations into pricing methods in the Common Market, and will in a few weeks' time be holding a conference of consumers to find out their views on how the Common Market is at present operating.

2. Once the Common Market was established and working, the High Authority's ordinary duties - apart from action in emergency periods of glut or shortage - were those of ensuring, without unnecessary interference, that the rules of the market were respected, the development of the most efficient production units stimulated, and the enterprises given the nec-

essary guidance in connection with long-term planning.

Steel and iron-ore prices are fixed by the enterprises themselves. As regards coal, the only maximum prices fixed by the High Authority are those in the Ruhr, as the selling organization there has not yet undergone the changes required by the Treaty. Scrap prices are free, but there is a compensation scheme to reduce the price of imported scrap. In all these cases, the High Authority has taken its decisions to correspond with the state of the Common Market, while striving, as the Treaty requires, to keep direct action to a minimum.

For the enterprises to be properly adjusted to the new conditions of the Common Market, it was necessary to be quite clear regarding the manner in which the Treaty was to be applied to concentrations. Concentrations are often essential to the modernization of plant and the rationalization of production. Rules were laid down, the general aim of which was not to discourage concentrations but to prevent the building up of monopolistic groups which could hamper competition.

The High Authority can only develop its policies on the Common Market if it has sufficient funds with which to back them up. The Treaty gives the

High Authority power to raise a levy on the value of the Community's coal and steel production. This tax, brought in 55 million dollars in the last financial year, 1954/1955. The proceeds of the levy have so far chiefly been used to build up a fund guaranteeing repayment of the loans which the High Authority contracts.

On the basis of the credit with which this fund provides it, the High Authority has already raised several loans, including one of 100 million dollars borrowed from the United States in 1954. In view of the shortage of capital which still exists in Europe, the High Authority's ability to raise loans on capital markets, where credit is relatively cheap, allows it to make a contribution towards improving conditions of financing in the Community area. The American loan, for instance, was relent to the mining enterprises of the Community, to enable them to reduce production costs and increase the extraction of coking coal.

Though the High Authority does not have direct powers, over investment policy it must draw up general objectives for the long-term development of production capacities in the Community. To see that these general objectives are being observed, the High Authority requires firms to submit details of all their important investment projects. The High

Authority can, if necessary, give its opinion on these projects, which will certainly have an influence on potential lenders.

3. It is the duty of the Community to contribute to economic expansion, the development of employment and the raising of the standard of living in the member countries. Accordingly, the Community's work as a whole in connection with the introduction and operation of the Common Market is aimed at improving the conditions under which people live.

But more particularly, the institutions of the Community have to promote an improvement in living and working conditions in each one of the industries now pooled in the Common Market.

The action taken in this field at the time the Common Market was introduced was mainly in connection with assistance for workers who had to change their employment, freedom of movement for workers in the coalmining and iron and steel industries within the Community, and the building of workers' houses.

Readaptation.

The essential effect of the Common Market must be to encourage the efficient producer to expand his output and the less efficient one either to modernize to meet competition or to give way before his more effective rivals. This will lead to a rise in productivity which in its turn governs the raising of the standard of living.

But the changes which are necessary to progress will only be acceptable if the workers do not have to bear the brunt of technical innovations by losing their employment.

For this reason, the Treaty provides for what it terms "readaptation" - arrangements to compensate workers compelled to change their jobs, to help in resettling and retraining them, and if necessary to facilitate investments which would provide gainful alternative employment.

This provision has already been applied on a number of occasions. The trade situation being so good at present, the number of workers affected and the amount of money required each time were comparatively small, but psychologically the measures were most important as regards securing the agreement of the workers to changes without which it would not be possible to achieve any progress at all.

In France, the government applied for and obtained financial assistance from the High Authority for the transfer of workers from the Southern coalfields to the collieries in Lorraine, which are fast expanding. In France again, the workers of a steel firm which has been formed by the merger of four small existing works, and is having to reconvert some of its production to engineering, have had their jobs and wages guaranteed, and the opportunity offered them to attend occupational training courses, throughout the conversion period. In other instances, laid-off workers have been guaranteed one year's compensation allowance equal to approximately sixty per cent of their previous salary and retraining facilities provided.

Similar action, varying each time according to circumstances, is envisaged or actually in hand in Italian industry and in certain Belgian pits that will have to close down.

The rule in all these cases is that, unless expressly stated otherwise, readaptation expenses are shared between the High Authority and the government concerned. The High Authority can further, though it has not yet done so, contribute by way of loans or guarantees to the financing of the investments needed for the re-employment of redundant workers, even in industries other than coal and steel.

These applications of the Treaty are a mile-stone in the economic and social history of Europe. And the trade-unions and governments are beginning to realize it. From this point of view, it is symptomatic that one of the governments of the member States modelled itself very largely on the Community's re-adaptation rules in dealing with reconversion problems arising in industries which do not come under the Community's jurisdiction.

Freedom of movement of workers.

The member States of the Community have undertaken to allow freedom of movement throughout their territory to duly qualified workers in the coal-mining and iron and steel industries. In other words, apart from restrictions due to basic requirements of health or order, there will be no impediment or discrimination to stop workers with specified qualifications from applying for jobs in areas where general working conditions are better than in their own.

This is so far only a first step in the direction of a "Common Market" for workers - which is essential to the satisfactory operation of the Common Market for products and the progressive harmonization of working conditions.

Housing.

Both the readaptation of workers and their freedom of movement within the Community make it essential that something should be done to remedy the housing shortage in most of the Community countries.

The High Authority has started two operations in this field. Firstly, it has financed an experimental housing scheme, in order to study production costs in the building trade in the various areas and work out the most economic methods available. Secondly it has just contracted a number of loans in Europe, out of which it will advance credits to enterprises and societies building workers' houses. Some 12,000 housing units are now in process of construction under this scheme.

But instead of quoting one example after another of the operations the Community is undertaking in fulfilment of the duties which have been entrusted to it, I should like to try to give you a general balance-sheet, and to note the main lessons we are beginning to learn from our own experience.

LESSONS AND RESULTS

To my mind, three major conclusions stand out.

The first is that the Common Market as introduced did not involve any of the upheavals which were so often predicted in some quarters.

As I have tried to show you, the High Authority, while not yielding an inch in regard to its own powers and the aims of the Treaty, has been most careful to allow for the special features of each country's situation. Transitions were eased and precautions were taken not only where the Treaty actually made it obligatory - such as with the Belgian collieries and Italian industry - but wherever the High Authority was notified of real difficulties. The transition in all cases is carried out in carefully defined stages. Each stage is fixed in advance as to length and content. The length and content are public knowledge, so that combined efforts can be made to achieve the joint objectives, without risk of serious disturbances in the national economies or delaying actions damaging to the development of the Common Market.

Thanks to all these safeguards - and no doubt also because the original fears of the critics were mostly based on an inaccurate reading of the facts -

the Common Market has succeeded in producing positive results without disturbing production and employment conditions.

The second conclusion is that the introduction of new conditions of economic activity, in an extended market and subject to stated rules of competition, is beginning to show results beneficial to both the producers, the consumers and the workers of the Community.

a) By its mere existence, and the constituent rules laid down for it, the Community is shedding much needed light on the working of the coal and steel markets. Essential facts on economic activity are coming into light of day.

Before the Common Market was introduced, it was usual to charge what we might call "prices to fit the customer". Today in the industries of the Community the rule is that each enterprise must publish its prices and conditions of sale to be applicable to all customers. Before the Common Market enterprises were entirely free to conclude all sorts of cartel agreements among themselves, and to arrange whatever technical and financial concentrations they pleased, subject to accepting responsibility for any actual malpractice. Today the High Authority is not merely entitled but obliged to carry out investigations, ban impediments to competition, and publish the reasons for its decisions. Formerly, enterprises' investment policies were a tightly kept secret. Today investments must be declared to the High Authority, which may issue opinions on them. What holds for the enterprises holds also for the governments. They are no longer able to disguise subsidies or protective tariffs as Budget items or transport rates.

Finally, the High Authority, is carrying out a large number of inquiries and comparative surveys on certain important features of economic activity - production costs, wages and social charges, working conditions, etc. Some, such as production costs, are treated as secrets by the High Authority but serve to guide its action. Others, such as comparisons of wages in the different coalfields and steel basins, are made public. A recent study of wage costs, for example, helped to change the current view taken in certain Community countries of national labour costs in relation to those in other countries.

b) The introduction of a large Common Market in an area where a 160 million people live but which was formerly divided into small, divided, protected national markets, broadens the outlook and changes the conduct of both producers and consumers. The seller learns if demand falls off to look for customers outside his traditional market; the buyer learns at times of expansion to carry on more satisfactory discussions regarding prices and qualities and delivery dates by getting in touch with firms other than his usual suppliers. This factor combined with the effect on having to publish prices on products does seem to result in a reduction of economic ups and downs and to lead to an increased stability of prices.

In the steel market, for instance, there has been a notable stability of prices since the Common Market was introduced in May 1953, first during a recession, and then during an expansion of trade.

In the first phase, from the Spring to the Autumn of 1953, the Belgian and French producers, whose traditional markets were sagging, began to look for outlets in the areas where demand was more vigorous - mainly in Germany, the Netherlands and Italy - at the same time allowing certain prices reductions of which consumers duly took advantage.

The expansion which has been observable since the end of 1953, and more particularly since the Spring of 1954, provides a kind of cross-check on the economic advantages of an extensive market. The process is going on in all the countries of the Community, whether they sell mainly in the home market or are stepping up deliveries to consumers in other areas of the Common market.

The volume of trade in iron and steel products between Community countries has risen from two million metric tons in 1952 to 2,800,000 in 1953, 4,100,000 in 1954 and on the basis of the first six months, 5,600,000 in 1955. Stated as a proportion of crude-steel production, trade in steel across frontiers within the Community has risen from 5.5 % in 1952 to 12 % in 1955.

As regards prices, it is hard to find any explanation but the Common Market for their present stability in face of such strong demand. The basic home price of Bessemer merchant steels, which stood at approximately $ 91 in May 1953 and $ 86 in February 1954 still only exceeds the 1953 level in the Benelux countries, that is, in respect of a mere twenty per cent of the steel produced and consumed in the Community.

This is probably the first time that there has been such a marked expansion as the present one in the steel market, under a system of freedom of prices, without the lively demand's resulting in reckless price increases, or in the type of discrimination usually practised at the expense of importing areas such as the Netherlands and Italy.

In the coal market too we find an increase in trade and the beginnings of a redistribution of markets. The volume of trade in coal increased from

24 million metric tons in 1952 to 27 million in 1953, 31 million in 1954, and, on the basis of the first seven months, nearly 33 million in 1955.

Two examples will show how a redistribution of the flow of trade takes place. The Aachen coalfield, in Germany, which used to sell mainly to Southern Germany because its natural markets to the West were closed to it, is henceforward finding new outlets in Belgium and France. The pits in Dutch Limburg, which delivered no coal to other Community countries in 1952, are now selling their coking coal once more to their old markets in France, Belgium and Luxembourg.

As regards prices, they do, it is true, reflect the maximum-price system still in force for the Ruhr coalfield, but since the Common market was introduced there has been a certain reduction in the discrepancies between the prices of the main Community coalfields.

c) The introduction of the Common Market is leading to even more far-reaching changes. I refer to the technical and structural changes which the enterprises now obliged to compete in the Common Market are starting to arrange, in order to rationalize their production and lower production costs. This process is observable mainly in the iron and steel industry.

Now that they find themselves in an extended market, the enterprises are showing much less hesitation than they used to about engaging in investments which would no doubt have looked pretty hazardous in a market which was too limited in scope. There is no doubt about it that the iron and steel industry of the Community taken as a whole has a considerable technical leeway to make up if it is to withstand United States competition, and perhaps in the near future from other countries in process of rapid industrialization.

In the same way, production programmes can be better thought out, and enterprises can specialize more successfully, now that producers have a wider market in which they can hope to get less diversified orders.

These ventures in investment and rationalization are often too ambitious for isolated entreprises to undertake, particularly in countries where production units have up to now been many in number, comparatively old, and more than a trifle wedded to their own independence.

And so it is that, since the Common Market was introduced, and even in anticipation of the event, we find concentrations being formed - mostly in France and Belgium - which enable units suited to the conditions of modern industry to be built up. And though such concentrations could have been formed - and occasionally were - in restricted national markets, it seems clear that they do not have the monopolistic dangers which were in the wide Common Market that they would have had in the more limited national economies.

Looking at the results which have been achieved and the changes which have been undertaken, we are convinced that the progress due to the Common Market will enable consumers to count on better production at lower prices.

The third conclusion I would like to suggest to you is that institutions independent of national governments and invested with powers of decision can and do work, in harmony with the member States, without being hamstrung at the first difficulty by narrow notions of national interest.

What, then, can we gather from the High Authority's experience ?

In all cases where the High Authority has power itself to take decisions, it endeavours to do so in the general interest and according to the Treaty. It prepares its decisions on the basis of points of fact, objectively assembled and made public. Thus it is quite manifestly - even if some may occasionally consider mistakenly - just doing what it is called upon to do in absolute independence.

Even in the few cases where the High Authority can only take decisions with the agreement of the Council of Ministers, the approval of the governments is obtained all the more easily inasmuch as the High Authority influences the debates by presenting a point of view altogether dissociated from national interests, which might otherwise, if it were not there, come into conflict with one another.

A number of problems have been settled in this way over the last two years, which would probably never have been settled by traditional methods of cooperation. To give just one or two instances, there was the dispute between the French and the Germans in the spring of 1953 over the tax system in the Common Market, - there was the introduction of the Common Market for special steels in August 1954 in the teeth of French misgivings - there was more recently still, the decision to abolish extra charges levied on transport crossing frontiers.

Once the High Authority's decisions are taken, they are implemented in the six countries by the governments and the enterprises. In an number of cases, enterprises which contravened the Treaty's rules on non-discrimination were fined. Certain governments did on occasion query the High Authority's decisions, but they applied them all the same until the Court of Justice had delivered sovereign judgment. Thus the Court in December 1954 reversed a High Authority decision upon appeal by the French and Italian Governments; in March 1955, it dismissed an appeal by the Netherlands Government against another High Authority decision.

These appeals are an illustration of one of the fundamental changes the Community is bringing about in relations between States. Instead of governments' having to take the law into their own hand, and enterprises' having to rely solely on such means of pressure as were available to them to get redress from their governments, we have both of them submitting to the judgment of a common, impartial and sovereign Bench.

It is an incalculable step forward for the whole of Europe to see the French and the Germans swallow their ill-feeling and work together for the development of the Community, with no possible veto interposable by either. I may add that for the small countries it is also a reliable guarantee, in institutions where unanimity is no longer demanded, to be able to share in the common work in complete equality with the other Powers.

THE COMMUNITY AND THE THIRD COUNTRIES.

So far, I have given you an account of the main elements of a Common Market. I have described in broad outline the institutions and rules through which it is enabled to operate. And I have told you about our experience of three years of the Common Market, and mentioned some of the positive results it has led to for the economies of the six member countries of the Community.

I will go on now, if I may, to look beyond the frontiers of the Community and see how it fits into the economic area around it.

It might be supposed that the Community, while free-trading within its boundaries, would maintain a protectionist front against its neighbours. But the makers of the Treaty had something quite different in mind. The institutions of the Community, "within the framework of their respective powers and responsibilities and the common interest", have two main responsibilities towards non-member countries. One is that while it must ensure that the Common Market is regularly supplied, it must take "into account the needs of third countries". The other is that it must "foster the development of international trade and ensure that equitable limits are observed in prices charged in foreign markets".

These provisions do not merely reflect the theoretical preferences of individual economists:they fulfil a need which is vital to the Common Market itself.

Traditionally, the economies of the six member countries are not self-sufficient; they are bound up with a big network of commodities and services exchanged with other European countries and with the world market.

As regards trade, the Treaty lays down that exports to third countries must not be restricted except where a serious shortage exists within the Common Market and action is envisaged to allocate supplies in respect of the Community consumers themselves. A similar guarantee exists for imports.

If we look at the actual position in regard to trade, we see that parallel to the expansion in the Common Market there has been a lesser, but none the less genuine expansion in trade with the non-member countries.

On the whole, the non-member countries have been regularly supplied, and have at the same time found increased outlets for their production in the Common Market. In particular, imports of iron and steel products from third countries have gone up steadily ever since the Community was established.

Take for instance the iron and steel products marketed by the Swedish industry : exports to Community countries have gone up more than 15% since 1952.

As regards prices, I may point out that the very existence of a large Common Market for two basic products, on which all economic activity is in fact dependant, has exerted a steadying influence not only inside but outside the Common Market.

If we study steel price statistics, we soon find that the discrepancies which do sometimes occur between prices charged within the Community and price charged on exports are kept within comparitively narrow bounds. At present business is good. We have only to think of the Korean boom, when the differences between home and export prices were sometimes as much as 100%, to realize the progress this represents towards stability.This was, incidentally, stressed in a recent survey published by the United Nations Economic Commission for Europe.

Another subject of interest to non-member countries is tariff policy.

Still determined not to encourage self-sufficiency, the Treaty specifies that, so far from sheltering behind protectionist tariffs, the member countries must accept competition from outside just as they foster it at home. There has got to be a progressive levelling-down of the Customs duties in force on the periphery of the Community. The aim of this process at the end of the transition period - that is, in less than three years'time - will be to have the duties on steel in all the member countries aligned with the Benelux rates plus two points, which is to say approximately six per cent. As the duties in the other member countries of the Community before the introduction of the Common Market were anything from fifteen to twenty per cent, such an alignment is a very real exertion on behalf of freer international trade.

As a matter of fact, the first stage in the alignment was completed when the Common Market, for ordinary steels was introduced. German tariffs, which, though previously suspended, had been several points higher, were aligned with French, and a very comprehensive tariff quota, with duties of ten or twelve per cent , was introduced by the German Government in respect of imports of iron and steel products from third countries.

In addition, since the introduction of the Common Market for special steels, France and Germany have agreed to bring the entry duties chargeable on special steels from third countries from something like 18% to an average rate of 11%.

As regards the final alignment with the Benelux duties, the end of the transition period is in actual fact only a deadline: when the Common Market was first introduced the Community stated its willingness to speed up the reduction of duties by negotiation with the countries concerned. This could be achieved by negotiations such as the Treaty suggests might be arranged between the member States and the third countries concerned regarding the whole subject of economic and commercial relations in connection with coal and steel.

In all these negotiations the High Authority acts as the authorized common representative of the governments of the member States, on the basis of instructions which have been unanimously adopted by the Council of Ministers.

It was by means of negotiations of this kind that one of the outstanding results in the development of the Community's relations with the outside world was ultimately achieved. I refer to the conclusion, on December 21, 1954, of an Association Agreement with the United Kingdom. The Press devoted a great deal of space to this agreement, for the form it took was something quite new in the international field, but I should like all the same to say a word or two about it.

It is a consultation agreement, based on complete reciprocity. The United Kingdom and the Community retain full independence and freedom of action, but from now on they have at their disposal an instrument which will enable them to secure increasingly close and concrete co-operation in the coal and steel sectors.

The Agreement is of interest in particular in that it provides for joint study of the possibilities of lessening or gradually eliminating the factors likely to impede trade between two great economic areas. Quantitative restrictions on imports and exports, Custom barriers, exchange control restrictions, dumping and anti-dumping measures may be examined with a view to proposals for their reduction or elimination. Again, there will be exchanges of information and consultations on such essential problems as pricing arrangements and factors affecting the price structure (including subsidies), general objectives as regards development, and the broad outlines of investment policy.

The Agreement with Britain has now been ratified by all the contracting countries, and the Council of Association will very shortly be holding its first meeting. It is too early as yet to try to weigh up accurately the results of a venture which has only just been started, but the will to co-operation which has brought about the setting-up of this new body is certainly a good sign.

The Agreement thus signed was concluded in order to deal with a particular situation, and it seems reasonable to assume that the desire for co-operation which ultimately took this concrete form will find other ways of adapting itself to other circumstances.

Apart from negotiations proper, the Community has always sought from its earliest days to establish close co-operation with the international organizations and the non-member countries.

When the High Authority first assumed its duties, relations were established with a number of international organizations which recognized the Community as a new entity. Take the Council of Europe. Its Consultative Assembly holds joint meetings every year with the Common Assembly of the Community. Other meetings are held between certain committees of the Council's Assembly and the High Authority, and there is a regular exchange of information between the Secretariats.

The Community is also in close touch with GATT, the six member countries being among the Contracting Parties. The High Authority has on occasion given this audience from all over the world - including as it does representatives from lands beyond the seas - accounts of various problems which are of particular concern to non-member countries. Contact is also being maintained with the International Labour Office and other bodies.

Finally, direct day-by-day relations have been established with several countries not belonging to the Community.

Along with the United Kingdom, and the United States, and Norway, and Switzerland, and Denmark, and Austria, and Japan, Sweden decided - indeed, she was one of the first of all to decide - on December 10, 1952, to accredit a permanent delegation to the High Authority in Luxembourg. I am particularly happy to be able to pay tribute here to the most satisfactory and fruitful co-operation which has grown up between your representatives and ourselves. I hope my distinguished friend Mr. Sahlin, the Head of the Delegation - whom I am delighted to see present here today - together with his Deputy, Mr. Finnmark, the Permanent Delegate to Luxembourg agree with me on that head. I am profoundly convinced of the value to both sides of the contact thus more and more firmly established day by day, which enables us to face our problems together, and where necessary to work together to arrive at a solution.

CONCLUSION

I have tried to show you how the establishment of the Common Market can solve a whole series of economic, social and political problems which now exist in Europe and which will have to be solved if the countries of Europe are, together, to regain the place in the world to which none of them alone can any longer claim.

Establishing a Common Market is a difficult task because it is always harder to create new structures than to seek to restore those of the past, even if one is intellectually convinced that the structures of the past no longer correspond to the needs of our age.

I would not claim that the Coal and Steel Community has already completed this difficult task after only three years of activity, but the results obtained show that we are on the right road. The first Common Market is in operation. The institutions of the Community have faced and overcome practical problems. The relations of the Community with the States that do not belong to it are developing as the recent agreement with Great Britain and the close contact we have with delegations in Luxembourg all serve to show.

The fundamental problems we are trying to resolve affect far more than the six countries which have undertaken this first experiment, much wider than the Coal and Steel industries which are the first field in which it has been carried out. The method of integration followed, the experience we have gained, are, we are convinced, applicable over far wider field.

It would be superficial to conclude that European unity must be continually sought through the sector approach of which the European Community for Coal and Steel is the first example. The knowledge we have gained in the Community is that unification in a single sector is indeed possible. But is has also showed that it must be limited. The sector approach may indeed still be valid in the case for instance, of atomic energy. But partial communities cannot be indefinitely multiplied.

If we try to multiply them we shall create disharmonies between the policies of the integrated sectors and of those still in the national system,for example in the field of prices and wages. Further, one can imagine that to set up a Common Market for a number of industrial sectors but to retain national protective systems for agriculture would create difficulties for a country importing mainly machinery and exporting mainly food products. Its difficulties in this case as in all others, would show up in balance of payments crises, which would tend to break up the Common Market.

I therefore strongly believe that the problem of the creation of a general Common Market in Europe must be tackled. Viewed in this light, the European Community for Coal and Steel is the first experiment, confined to a limited sector, in the methods of unifying already highly developed, intricate modern economies. It has permitted us to deal in detail with the practical problems raised by economic integration and to find the solutions for them. The task now is to adapt to the wider objective of a general European common market the lessons and knowledge gained in dealing with the integration of Coal and Steel.

This is the road along which the Foreign Ministers of the six Governments of the Community countries have decided to move towards European unity. In their conference at Messina, last June, they resolved to take European unity forward by the development of common institutions, the gradual fusion of their national economies, the creation of a Common Market and the harmonization, step by step, of their social policies.

At this very moment in Brussels, a conference is in session under the firm and smiling chairmanship of Mr. Paul-Henri Spaak which is studying the technical and institutional problems raised by the Messina resolution. The High Authority has been taking part in its work, in a consultative capacity. Its experts have been working on the study-committees. Full use has been made of the experience it has gained.

It is not for me to presume on the results which will come out of the Brussels meeting. Mr. Spaak will himself report in mid-November to his fellow Foreign Ministers of the Community States. But I would like to end by expressing my personal conviction of Europe's need for unity. So far I have talked of the economic problems of unification. That is natural in discussing the problems of the Common Market. But let us not forget the paramount political aspects of this question. The European countries are in danger of facing the challenge of the atomic age too divided in purpose and too light in weight to lay the imprint upon it. If the nations of Europe are to progress into that age with the political means and economic vitality to justify their independency of action and moral self-respect they must, I am convinced,come together. There is no need for the different nations to loose in unity their individual character and cultural traditions. These traditions are too old and deeply rooted to be destroyed by the mere fact of adapting Europe's organization to the call of the times. On the contrary, I firmly believe, that if as many of the freedom loving peoples of Europe as possible consent to come together, then Europe will have a renewed opportunity to contribute to the future peace and prosperity of the world.