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High Authority of the European Coal and Steel Community
to the Lincolnshire Iron and Steel Institute at Scunthorpe.

"THE EUROPEAN COAL AND STEEL COMMUNITY -- HOW IT WORKS"

Gentlemen,

It is a great privilege and a very special pleasure
for me to address this distinguished audience assembled here
to-day. I value particularly highly this honour to speak to the
Lincolnshire Iron and Steel Institute for many reasons:

- because your country is one of the most traditional pro-
ducers of iron and steel, which has given in the past so
many unique contributions to this noble art,
- because I have been able to see particularly at Scunthorpe
in five or six visits during the last few years many new
developments in steel-making, which are well-known all over
the continent, and I should only mention Mr. George Elliot's
famous Queen's with its 100% sinter-burden and its most
modern ore-preparation,
- because, finally, I had already the pleasure to attend a
previous meeting of your Institute here in this Technical
College :
the Special Meeting of the British Iron and Steel Institute
in October 1955.

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Gentlemen.

I was invited to give you a general impression of
the institutional structure of the European Coal and Steel
Community and how it has worked during the first five years
of its existence.

Six European countries - Belgium, France, Germany, Italy, Luxemburg and the Netherlands - are members of a new Community of nations, united for the first time in history through a plan which is to increase their economic strength and prosperity.

In the past, the progress from small national entities to a larger federation has usually been marked by hardship and war. A civil war, for example, was needed to weld together the United States of America. When Columbus discovered America in 1492 for the Spanish kings, the Portuguese immediately claimed that the new territories were legally theirs. More attention was given to such quarrels than to the development of the new possessions, although the efforts of all the European countries combined would not have been sufficient enough for the enormous task that lay in front of them.

On the Continent, man-made political barriers have for centuries been a source of poverty and war. Because they distrusted each other, these European countries erected trade barriers to protect their own industries at their neighbour's expense. This meant that Europe's national markets remained isolated and were unable to expand at the same rate as, for example, the USA or the British Commonwealth.

This tendency to preserve anxiously that what we have - or believe to have - and to spend our energy in fruitless disputes, rather than in developing our common heritage for the benefit of all, this tendency has too long prevailed in European politics.

It was Sir Winston Churchill in 1946, who - on the political side - proposed the establishment of the Council of Europe to forge new bands of unity among the European nations.

On the economic side, American aid, vital though it was, and some useful co-operation between European countries, both were not sufficient to change the pattern of our economy or to

get at the real source of its weakness. -- The important work of the OEEC, GATT and others can hardly be overestimated, but all these classical international institutions could not bring the specific needs for Europe. Only a structural reform would bring the necessary results.

It was the historical merit of the then French Foreign Minister Robert SCHUMAN, that he saw this clearly. With his famous declaration of May 1950, SCHUMAN put a question fairly and squarely to the nations of Europe : were they ready, as a first step to integration, to submit their heavy industries and their raw-material markets to a common authority and to common rules ?

It is not surprising, that there were many attempts to water the terms of this choice down to vague formulas of good will with a series of "buts", "ifs" and "whens", but Mr. SCHUMAN stood by his original proposals, and in the course of a few weeks, six European countries had made up their minds in favour of his ideas. Six nations had faith enough to delegate some of their national sovereignty to common institutions with real power under a Treaty for 50 years.

It was at Luxemburg that these supra-national institutions were set up on August 10th, 1952. To-day, these institutions act as a kind of government of the coal and steel resources of the six member countries.

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The executive powers of this Community are centred in a nine-man High Authority. Its other institutions are a Common Assembly (or Parliament) with 70 members, a Court of Justice of 7 judges and a Council of Ministers, representing the six member states.

Even for people in the Community it seems to be difficult to realize fully what a fundamental difference there is between this independent European executive and a group of representatives of various national governments. You frequently read in the newspapers for example: the Italian or German representative of the High Authority has said this or done that. In reality, the Members of the High Authority do not represent a country or any particular interest: -- they represent the general European interest only, and the Treaty of the Community forbids them to ask their national Governments for instructions or even guidance. Nor may the national governments give instructions to them.

There is a second fundamental difference between the High Authority and a gathering of national representatives such as you find in all international organizations of the classical type: the policy decisions are taken by simple majority-votes of its nine Members. This means that the Coal and Steel Community has discarded the rules of unanimity and the veto, which had frustrated so many attempts of international co-operation.

Let us now see what kind of power is given to the High Authority, again a subject about which there is much misunderstanding, even within the Community.

The High Authority does not run the coal and steel industries, but it runs a common market of coal and steel. The High Authority is a kind of fair trade board, which enforces rules against unfair trade practices, binding the firms of the Community. It will watch that this common market is not disrupted either by interference by the member governments or by decisions of powerful economic groups. The Treaty defines the general rules of conduct and the High Authority sees to it, that these rules are applied, -- by governments as well as by individual firms or their associations.

The question comes immediately : what can the High Authority do if somebody refuses to comply with the rules ? -- The answer is : a firm can be fined, and in case of disagreement with a government, the High Authority has the last word, but always subject to the jurisdiction of the Court of Justice.

In this Court of Justice, acting as a supreme court, without appeal, 7 judges have the exclusive jurisdiction over the application and interpretation of the Treaty. They decide whether decisions of the High Authority should be upheld or annulled. The Courts judgments are binding all parties, whether producers, customers, dealers or national governments. The High Authority may be attacked not only for decisions taken, but also for failing to take action when the rules of the Treaty have been infringed.

Out of the 58 cases since 1953, 10 were brought to the Court by national governments, 39 by firms or associations and 9 by civil servants of the four institutions. 24 of these cases came to a formal judgement, the rest was withdrawn before final decision or joined with others, covering the same subject.

The members of the Common Assembly, to which the High Authority is responsible, are elected from and by the national parliaments. This Assembly exercises democratic control over the policies of the High Authority. Several times a year the High Authority's activities are debated in the Assembly, which has the power to force the executive after a 2/3 majority vote to resign.

Unlike the national parliaments, the Common Assembly has no legislative nor budget-rights. Nevertheless, a de-facto control system has been efficiently developed : by numerous Committee meetings an almost daily control of High Authority's decisions and policy is ensured.

Less easy to explain is the role of the Council of Ministers, a body composed of one minister of each government of the Six. This Council of Ministers must often be consulted by the High Authority, but only on certain occasions the High Authority's decisions need official consent before taking effect.

It would carry me too far to state in detail when the Council is only a consultative body and when its powers are greater. Shortly described, the intervention of the Council is one of the many checks and balances which are built into the Treaty to prevent the executive from losing contact with the various aspects of economic and political life in the member-countries.

Indeed, nobody could reproach to the High Authority that it keeps aloof from the sorrows and practical difficulties of the member governments and industries. Even if the High Authority were tempted to do so, not only the Council of Ministers would remind it of the problems of every-day life, but the very rules of the Treaty would not permit it.

Again the High Authority can take no important decision without ample consultation of all interests involved, and moreover, a special Consultative Committee, composed of producers, consumers, dealers and workers has to give advice to the High Authority prior to any action in most fields of its activities.

In this brief outline of the four Institutions of the Coal and Steel Community you will have recognised several elements of a federal structure :

- limited but real and direct powers in specific fields to a central executive,
- a central Court with an exclusive right to judge the use made of these powers, and
- two bodies representing the people in general on one hand, and the member government on the other, to control the politics of the executive.

If the Community were not limited to coal and steel, you could indeed speak of a federal state, -- taking these limitations into account, we may call the Community an economic and political organization of a federal character.

You have seen that the machinery of the Community is rather elaborate. In fact, it was intended from the start that this machinery should later serve to other European Communities as well. This month two new Communities have started their work. The Economic Community, which will create a common market for all products, and the Atomic Energy Community (EURATOM)

They will use the same parliament - which will be enlarged for all 3 Communities in June - and the same Court of Justice. The Council of Ministers will be of course also the same, since the participating countries are identical. Although the aims of these Communities are economic - to raise the standard of living through better production - its ultimate goal should be political: the building of a truly united Europe.

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Gentlemen, let me now come back to the practical work that has been done during the first five years, thus illustrating the principal rules of the Treaty.

Before this, just one word about the organization of our executive. Each of the nine Members of the High Authority acts as a kind of cabinet-minister, each responsible for an important part of the policies: market affairs, industrial problems, social and labour questions, foreign relations, transport, finance, general economics, anti-cartelization, and so on.

Within the daily work - to be prepared in the divisions, discussed in several working groups and brought before the High Authority for final decision - these nine Members guide the work

of the executive, which besides the above mentioned Divisions includes an Information- and a Legal Department. Each Division has one or more Directors, who are the top-ranking officials, and a Secretary of the High Authority, with equal rank, is responsible for co-operation between the different divisions.

There are no national privileges or predominance for any kind of job in the executive and all six nationalities are to be found in every Division or Department.

Back to the principles now, -- the first and most important step at the beginning was to establish the common market, cornerstone of the Community and condition for its success.

This meant not only that all quotas had to be abolished, but that import and export duties had to disappear and that all discriminatory practices, such as double pricing, local price discrimination, differential freight rates and other privileges or subsidies for certain consumers or producers had to be abolished as well.

Even more important than the disappearance of all these artificial barriers to normal competitive trade was the fact that all people concerned knew that these restrictions could never be re-introduced. Only this certainty, and the fact that there was a High Authority to watch over the application of these rules brought about the complete change in the prospects of the European heavy industry; the result of which we can already see.

Instead of working on the one hand for an absolutely safe and protected but small home market, and on the other hand for an unreliable but occasionally very profitable export market, the coal and steel people saw the size of their home markets increased from some 20 or 40 million to a 160 million consumers. This gave their business an entirely new scope, and the established conditions will themselves ensure the most rational distribution of production. To that I would like to give you some figures

about the increase of production compared with the development of trade between the member countries of the Community from 1952 to 1955, illustrating the beneficial effect of integration.

	<u>production</u>	<u>exchange</u>
coal	+ 4 %	+ 21 %
ore	+ 22 %	+ 27 %
scrap	+ 15 %	+ 262 %
steel	+ 31 %	+ 114 %
products		

The powers of the High Authority are extended to everything that could imperil the smooth functioning of the new common market. This is the reason, why you find its activities not only in matters which relate directly to coal and steel, but also for example in the fields of transport. The High Authority cannot fix freight rates, but it can see to it that no unfair practices disturb the common market in form of discriminatory or preferential freight rates. With the introduction of through rates in interstate traffic transport costs went down considerably.

In short, the following rules have been carried out or are to be observed since the establishment of the common market :

- Free, but published prices. Once prices were secret, now the prices set by producers must be published, thereby preventing any discrimination.
- Harmonization of import duties to third countries to foster the development of international trade. The Community will not surround itself with protective tariff barriers against the outside world. By the harmonization of import duties tariffs are now put down to the Benelux level, that means reduction for the tariffs of France, Germany and Italy.

From 1952 to 1955 imports from third countries went up about 69 % and into these countries the Community was able to increase exports of coal and steel by more than 23 %.

- A complete anti-trust legislation - the first in Europe - and a fair trade code will guarantee real competition.
- Workers in the coal and steel industries will have more freedom. Under an arrangement with the member governments, they

will be provided with an "European Labour Passport" which will enable them to live and work freely in any of the six countries.

Jobs will be found for them through an European Labour Exchange, and they will be able to go wherever they please.

- One of the most important task of the High Authority is to see that the coal and steel workers do not bear the brunt of technical progress and free competition.

Modernization has not, in fact, led to widespread unemployment. Where any unemployment has occurred, the High Authority - under a readaptation scheme - has made funds available to tide workers over the period of difficulty. In other cases, where an obsolete factory has been closed, workers have been trained to play part as building workers in the erection of new works and so on.

- The High Authority has also financed schemes under which workers, used to old-fashioned machinery or processes being replaced by new ones, are trained to master the new equipment.
- Raw materials, too, now move across the borders freely without extra freight charges at each frontier.
- Like all other governments, the Community levies a tax - it is the first European tax - upon the production of coal and steel. On the strength of its assets, the High Authority has contracted two loans totaling 135 million dollar from the USA and a 50 million Swiss francs loan from Swiss banks, and it has lent this money at low interests to producers who want to modernize plants and boost productivity.

The actual tax rate is now 0,35 % on the production proceeds and it had reached until now more than 173 Million \$ compared with expenditures of 37 Mio dollars for the same period.

- Another aspect of the High Authority's activity is its work in favour of long term development. These general objectives - in form of reports on the probable future demand and supply, are

published after consultation with all interested groups.

- These long term objectives guide the High Authority in particular in its investment policy. Formal opinions are given on major investment projects. Although these opinions are not binding, it states however whether the project goes in a desirable direction, and it may nevertheless also affect the producers chances when he applies for private bank credits, as these opinions are published in the High Authority's Official Bulletin. Many opinions, for example, have dealt with the necessity to avoid increase of scrap-consumption.

One final word on investments : the annual bill of investments is about 1 billion dollars for the coal and steel industries of the Six combined. The total loans so far of the High Authority to these industries amount to some 160 million dollar. - Thus they leave a good deal of freedom for increased private activity in this field without any risk of the High Authority becoming a sort of monopolistic investment trust. Any development of this kind would be against the spirit of the Treaty. The coal and steel firms themselves decide on their investment policy.

- The same rule is applied for their commercial policy. At the moment, practically all prices within the Community are free, they follow the movements of the market. Unless there is abuse the High Authority does not have to intervene.

This situation contrasts sharply with the state of affairs before the establishment of the common market - nearly all prices then were nearly everywhere controlled by the various governments.

This, Gentlemen, brings me to the certain powers, that the Treaty confers upon the executive in extreme circumstances. It is the surplus crisis and those of a serious shortage.

In these extreme situations the direct intervention of the High Authority can go very far indeed. An allocation scheme for scarce coal and steel can be put into action and conversely - production can be allocated between the different production units in case of a severe surplus situation.

Critics of our Treaty frequently overlook that these powers are only meant to be used if there is no other way out. It may even be that the mere existence of these powers, without their being actually used, makes people restrain from irresponsible behaviour. In fact, these emergency powers have not been used so far, not even for coal after the European fuel crisis which followed the blockage of the Suez-canal last year.

As far as the foreign relations of the Community are concerned, 8 countries : the United Kingdom, USA, Norway, Denmark, Sweden, Switzerland, Austria and Japan, maintain full diplomatic relations with the Community.

When the Community was established in 1952, your country felt, that it could not become a full member, as I believe, for two reasons :

- it was reluctant to surrender a part of its sovereignty, to institutions with supranational powers, and

- it considered that its relations with the Commonwealth would preclude full membership.

However, in December 1954, an Agreement of Association was signed, which makes Britain the country with the closest link to the Community. Under this Agreement, the UK and the High Authority consult each other before taking any steps affecting each others interest. A Council of Association, composed of four members of your government and four members of the High Authority meets four times a year. The task of the Council is to reduce trade barriers and to coordinate action especially on long term development and in times of slump or boom.

Another Consultation Agreement (especially in times of shortage and surplus) has been signed with the federal government of Switzerland.

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Gentlemen,

You have so far been given an account of the High Authority's functions and policy in correlation with the principles of the Treaty.

I should like to tell you now in a few words how the steel industry has developed during the past few years and which the main problems are we have to cope with in future.

The production of ingot steel in the Community went from 35 million tons in 1929 with its maximum pre-war production, up to 56,8 in 1956 and to about 60 million in 1957. From 1953 - the start of the common market - to 1956 the increase was 43 %, compared with 17 % in your country and 3 % in the United States for the same period. (The figure for the USA may be affected by the great steel strike in 1956).

On the basis of the analysis in our general objectives, the High Authority estimates that it will be necessary to achieve a steel production capacity of 74 million tons by 1960 and that on the average, actual requirements may be expected to run to some 67 million tons.

On the basis of these figures, we find that crude-steel consumption per head of population by 1960 will average 400 kg for the Community as a whole. This is well below the present figure of 630 kg for the USA and corresponds to the American per capita consumption in 1929 and to your consumption in 1956. Considerable room therefore still exists for further expansion, the present rate for the Community being 284 kg in 1956.

What could be done to achieve such production rates ? There are two main problems :

- new investments, and
- sufficient raw-material supply.

In many cases the classical possibilities of an expansion of existing steel plants have been exhausted and entirely new works are being constructed on green grass site. Many of them will be located in

coastal areas by the need to import increasing amounts of raw-material. That is going to be done in the Community -(Germany, France, Italy and the Netherlands) and in your country as well.

Improvements to the rolling mills, and in particular to continuous wide-strip mills and cold rolling sheet-mills are still to be made.

Thanks to better ore beneficiation (p.ex. roasting and Renn-process) and preparation it is now possible to make more efficient use of the ore-resources of the Community which consists largely of lean ore (approximately 30 % Fe-content).

Here I would like to mention once again the outstanding effort which your iron and steel industry has made in this field. I remember with pleasure my several visits not only to the Frodingham Iron Works but also to Stewarts and Lloyds and to some of the brandnew Welsh Works, where I have seen the finest ore preparation and sintering which - in my opinion - exist in the western world.

On steel-making, improvements are considered to be necessary in two main directions :

- firstly, conversion of pig-iron by oxygen-blowing to produce a converter steel practically equivalent in quality to SM-steel,
- secondly, but at a later stage, direct reduction of iron-ore by gas, thus avoiding the need to use coke and helping to remedy the long term depletion of our coal resources.

I will not bother you with all these well known facts but I would like to mention one key problem of the raw-material requirements for our industry :

In terms of high grade ore, we have imported nearly 23,7 million tons in 1956. Based on the general objectives, the figure will increase to 40 million in 1965 and to 60 million in 1975. At present only 65 % of the ore consumption comes from within the Community, but our dependence on imported ore will increase from 35 to 45 % in near future. The traditional import sources will of course also increase, but they are not unlimited.

So we have to find new sources probably under new forms of exploiting partnerships, and in far distant areas all over the world. The most remarkable example of this trend is given by the American steel industry : the greatest steel producer is also the greatest ore-importer -- 90 % of these imports, however, come from ore mines abroad, owned by American works.

For scrap finally we have used our scrap import compensation fund to face the immediate urgent problems before new investments ease the situation in 1959 or 1960, by imposing a penalty rate of levy on firms increasing their present scrap consumption.

One final point. As you know, there is much speculation just now of the possibility of a recession, but personally I am convinced that there will be no real depression and probably not even a longer recession. Still, in the Community we produce with full capacity and the orders as a whole are satisfactory. Prices remain firm and there is no sign that the general objectives, predicting a continuous increase of a 4 to 5 % per annum in steel production for the next decade, will have to be altered.

Gentlemen, I have to bring my remarks to a close. I hope you have seen, that the new European Coal and Steel Community has brought a great advantage to the participating industries of its six member countries, and just as important :

the Community is being accepted by governments, industrialists, workers, consumers alike as a real European Executive dealing with coal and steel.

But the Coal and Steel Community is just a beginning. The six countries have already started to pool atomic energy resources for peaceful purposes and to establish a greater common market to abolish trade barriers for all categories of goods.

After centuries of bitter national rivalries, a truly European Market without frontiers is being built and partnership is offered to all other European nations.

At the same time, as you know, negotiations are going on for the creation of an even wider FREE TRADE AREA, linked with the Common Market of the Six. I confidentially expect that these negotiations will be brought to a successful conclusion in the course of this year - a further step to a free and better Europe for all of us.