

THE EUROPEAN
COAL AND STEEL COMMUNITY –
PAST EXPERIENCE
AND FUTURE PROSPECTS

Lecture by

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THE EUROPEAN COAL AND STEEL COMMUNITY PAST EXPERIENCE AND FUTURE PROSPECTS

Mr. Chairman, Gentlemen,

It is with the greatest pleasure that I address you here today, and I want to offer the Foreign Policy Society my sincere thanks for the opportunity to speak to you of the experience we have had in the Coal and Steel Community during the past five years and of the significance of this experience for the building of a united Europe. I want to thank you in particular, Mr. President. You have followed the progress of the Community since it came into being. Sometimes you have been encouraging, sometimes you have been critical, but always you have spoken and acted in the spirit of a genuine and convinced European.

My task today is made easier by the fact that I am talking to an audience which is well aware of the problems facing Europe. I am also in a country which right from the start has shown its interest in the Coal and Steel Community by accrediting a Diplomatic Delegation to the High Authority in Luxembourg, and which, I know, is greatly interested in further developments in Europe.

The existence of the Danish Delegation to the High Authority in Luxembourg means that we are in constant touch with your Government. We have also frequent contacts in GATT and the OEEC, where Danish Representatives and those of the Coal and Steel Community are able to get together to discuss questions of common interest.

Frequently, in the course of such discussions, one side or the other comes up against some particular aspect of this or that problem which may make us temporarily forget the importance of the political and economic developments now under way in Western Europe. At these moments, to quote an over-worked proverb, we may fail to see the wood for the trees.

But today, happily, you and I are not seated round a negotiating table, and we have no immediate problem before us. That makes it all the more agreeable for me to be able to talk to you, about the experience and results of the European Coal and Steel Community, of the role which these played in the establishment of the two new Communities — Euratom and Common Market — and about the association of our six member countries with the other nations of Europe. My only task is thus to give you my personal convictions, and to try to convince you that they are valid.

I do not plan, in this relatively brief talk, to go into great detail about what we have done. Nor do

I plan to confuse you with a vast mass of figures and percentages. You can find these easily enough in the publications of our own Information Service and of the many writers and economists who have dealt with these questions. What I shall try to do is to explain to you what a Common Market is, then give you just a brief account of what we have done in the Coal and Steel Community, and finally, in greater detail, draw from these achievements the lessons which they point for the future.

Why do we need a Common Market?

One of the paradoxes of Western Europe's development in the past decades has been our ability to make discoveries and inventions of far-reaching importance, coupled with an inability to achieve their full industrial exploitation. We need a Common Market to enable the organization of production on a scale appropriate to the state of technical advancement we have reached. In many sectors of industry, the national markets of Western Europe were too small to permit firms to reach the optimum scale of production. They did not have the investment funds, the sales organization or the technical and research facilities necessary to organize their operations on the most efficient and economic scale. Steel-making, oil refining, aircraft construction and atomic energy are perfect examples of industrial branches which require a large domestic market to

reach an optimum production scale. It is no coincidence that in all these industries, except possibly nuclear energy in which special circumstances intervene, the United States, with its national market of 180 million consumers, is overwhelmingly preponderant.

Moreover, Western Europe needed to introduce a much greater degree of competition into its economic activities. This is not to say that we wanted to go back to the uncontrolled *laissez-faire* of the 19th century—far from it. But it is difficult to justify our Western economic system of relatively free enterprise unless the units of production are constantly subject to the spur and stimulus of competition. A large degree of this necessary competition, and hence of the stimulus to progress and expansion, had been destroyed by protective measures on the part of governments. You are of course yourselves well acquainted with the whole battery of protective measures: customs duties, quotas, currency restrictions, discriminatory transport rates, subsidies and compensation schemes. You are also familiar with their results: the fencing-in of small national markets, inefficiency, growing obsolescence of plant, the reduction of international trade, and, in the long term, the slowing-down of the growth of national income and of the rise in living standards.

What is the Common Market?

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, means 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 when quotas are removed — they can provide just as strong a protection, and just as great an obstacle to a rational distribution of economic activity, as quotas themselves.

Similarly, certain kinds of transport rates, fixed specially for particular routes and distances, can have the same effect as customs duties, and provide even more specific and far-reaching protection for national industries.

Equally, there would be no point in abolishing the obstacles to trade caused by government restrictions and transport rates if further impediments were to be created by the producers themselves. It is therefore essential to ensure that no international cartels are formed to fix prices and allocate markets, and that no enterprises achieve a position

of monopoly enabling them to limit production or fix monopoly prices.

Thus a Common Market means the abolition of customs barriers, quotas and currency restrictions. It means ending the practices of dual pricing and dumping, and of discrimination in transport rates. It also means the ending of frontier charges on transport, of market-sharing, and of that complex network of subsidies and compensation schemes with which the modern State frequently chooses to protect and distort its economic system.

But a Common Market means much more than the ending of all these practices. It means, in addition, the establishment of a framework within which the competitive system can work fairly and efficiently, and in which the extreme effects of competition can be countered by the action of common institutions.

You cannot simply declare your belief in a large single market and in fair competition and imagine that these things will come about automatically as a result of independent market forces. Rules are needed to curb the powers of monopolies, and to prevent price manipulation, the restriction of production and the stifling of technical progress by private cartels. Rules are also needed to ensure that there is no concealed discrimination between one consumer and another. And finally, positive action is needed to ensure that the brunt of economic and technical progress is not borne by the worker in

the form of unemployment. All these powers imply a departure from the principle of *laissez-faire*.

So, in a Common Market, we must have provisions for the readaptation of workers. Readaptation covers all aspects of re-employment and resettlement — everything in fact which enables a worker to pass smoothly from one job to another in the event of becoming redundant in his current employment. These provisions, which in the Coal and Steel Community include compensation payments for workers compelled to change their jobs, help in resettling and retraining them, payment of travel and removal allowances where necessary, and aid for investments which would provide gainful alternative employment, are perhaps the most advanced of their kind anywhere in the world.

There is no doubt at all that these measures to counteract short-term dislocation have been largely instrumental in securing the enthusiastic support of the trade unions for European integration and for the speeding up of technical progress, and hence, in the long term, for the rise in living standards at which integration aims.

In order to apply its rules and to undertake the common action which will be necessary, and in general to establish and administer a Common Market, institutions are required with real, if limited powers.

So, in the Coal and Steel Community, we have as the executive body a High Authority. Once an executive is endowed with powers of decision, it must necessarily be subject to democratic and judicial control. Thus we have a parliamentary assembly and a Court of Justice. And finally, to ensure that the viewpoints of the Governments of the member States are fully presented and that there is proper co-ordination of the policy of member States with that of the Communities' executives, we have a Council of Ministers.

The European Coal and Steel Community's Achievements

The first Common Market, which has now been in operation for five years, was limited for obvious reasons to the vital basic sector of coal and steel. The European Coal and Steel Community was indeed envisaged as the pilot plant of European integration.

As you know, the institutions of the Community were set up in Luxembourg in the second half of 1952, less than six months after final ratification of the Treaty. The Common Market came into being in the first half of 1953, and February 10, 1953, saw the start of a five-year transition period during which all barriers and distortions were to be abolished and a single market for coal and steel estab-

lished. I want now to give you a brief account of what we have done in this Common Market for coal and steel.

In general, customs duties, quotas, currency restrictions, discriminations and subsidies of all kinds have been abolished. A German engineering firm wishing to buy French steel is now assured that it can get all the French francs necessary, that neither the French nor the German Governments can limit the quantity it can obtain, and that no customs duty will be paid at the border. Moreover, it pays the same price as its French competitors, and the same transport rates.

In addition to removing discriminations on transport, the High Authority has also introduced direct international through-rates valid for rail transport of coal and steel from one end of the Community to the other. All frontier charges on rail transport of coal and steel have also been abolished by stages.

Thus, in general terms, price discrimination was abolished, as must be the case in any Common Market. But, in addition, the particular nature of the coal and steel industries necessitated the adoption of more detailed rules. These rules of publicity and non-discrimination are set out in the European Coal and Steel Community Treaty. They stipulate that all coal, steel and iron-ore producers must publish their price lists and deposit them with the High Authority before they come into force. These

lists must be available for any consumer and any producer to consult. Once these price lists have been published, they must be rigorously observed by the producer involved. He may not vary them without publishing the new price, and the published price must be charged to all buyers in comparable conditions. Prices are quoted, as in the United States, delivered basing point, for example delivered Oberhausen (in the Ruhr), delivered Thionville (Lorraine), delivered Seraing (near Liège in Belgium), and so on. The practice known as alignment prevents this pricing system from being too rigid, by enabling a producer to align his prices on those of a producer selling more cheaply in the area concerned.

Without this system of non-discrimination and publicity for prices, I do not believe that a true Common Market for coal and steel could exist.

In the field of cartels, we faced a difficult problem. Certain scrap-buying cartels were clearly operating contrary to the provisions of the Treaty, and we abolished them at the start of the Common Market. But the coal cartels, which operated in all countries of the Community, were a much more complex question. Our difficulty was to end the features of their operation which infringed the Treaty, while at the same time permitting the continuation of those useful and constructive functions which they were carrying out.

By far the biggest and most important of these cartels was the Gemeinschaftsorganisation Ruhrkohle, known as GEORG. This monolithic organization, controlling the sale of 80 million tons of Ruhr coal a year, was dissolved on March 31st, 1956, and replaced by three independent sales agencies. These agencies may, in certain carefully defined circumstances, undertake common action in a limited field through a Joint Office. We do not claim that we have brought full competition into the market for Ruhr coal; this would in any case have been impossible in the sellers' market which has ruled for most of the Common Market's existence, when it was possible to sell every ton of Ruhr coal without difficulty at the ceiling price. But we have done five things:

I) We have created the framework for a competitive market;

II) We have set up an advisory committee on which the High Authority, the German Government, the workers and consumers, as well as the producers are represented and to which common action by the Joint Office of the three sales agencies must be explained;

III) The High Authority now requires four weeks notice of any proposal by the Ruhr to change its prices, and the High Authority can intervene if it considers a proposed increase unjustified;

IV) The trading rules which the new sales agencies follow have had to be approved by the High Authority, thus enabling *bona fide* wholesalers, fulfilling reasonable qualifications, to have free and equal access to Ruhr coal;

V) The High Authority has full control over any joint delivery plans by the sales agencies, and can veto them if it considers it necessary to do so.

In France we had a different problem. There coal imports were regulated by a Government agency known as A T I C (Association Technique de l'Importation Charbonnière). Thus the French Government maintained the right to intervene in the import of coal from other parts of the Community and refused French buyers access to dealers in parts of the Community other than France. The High Authority has shown its determination to defend the consumer's right to free and equal access to the Community's coal, and to choose freely his supplier, even against the opposition of a member Government, by ordering the French Government to refrain from these practices within a period ranging from one to two years. The French Government has since appealed against the High Authority's decision to the Court of Justice, and we shall now see whether the Court considers our action to be in accordance with the Treaty.

These are our two main actions against coal cartels, but I should add that we have suppressed, or trans-

formed, the activities of other cartels in Belgium and in South Germany.

While I am speaking to you about what the High Authority has done, I should also mention something we have not done — some powers which we have under the Treaty, but which we have so far not found it necessary to apply. I am thinking of the special rules governing measures to deal with a serious crisis — in other words, a slump — and with „grave shortage“, which would be likely to occur in a boom. The European Coal and Steel Community Treaty imposes strict anti-cartel rules and thus prevents producers from taking joint measures to control production in a recession; therefore, to avoid the disappearance in slump conditions, as a result of cut-throat competition, of production capacity which would be necessary in normal conditions, the Treaty affords the Community's institutions the possibility of instituting a system of production quotas and minimum prices. These powers must be considered as a fundamental element of the economic equilibrium created by the European Coal and Steel Treaty, preserving valuable investments on the one hand, and avoiding, on the other hand, the disruption of production by the cyclical movements of the state of economic activity.

Since coal and steel are products whose supply conditions may distort competition for the industries which use them as raw materials, the Community Treaty also provides for a system of

allocation to be put into operation jointly by the Community's institutions in case of serious shortage. This is an essential safeguard for consumers, who are thus assured that, in case of supply difficulties, the rules of non-discrimination will be fairly applied to all concerned, without any private interest groups or governments being able to exploit a more favourable position.

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I have explained the action we have taken and the way in which the system works; now I want to indicate briefly the positive results we have achieved. It is not my intention to give you a long list of our very real achievements in the economic and social fields. These results are by now common knowledge and here I can do no more than hint at some of them. The most outstanding has been the unprecedented increase in steel output since the Common Market started — by 43 %, from 39 million tons in 1952 to 60 million in 1957. We do not, of course, claim all the credit for this achievement, nor do we say that it was purely a result of the Common Market. The expansion in steel was part of an equally unprecedented expansion in industrial production as a whole; these boom conditions have undoubtedly played their part in expanding steel output.

But, on the other hand, it is very doubtful whether such a rate of expansion could have been sustained without the existence of the Common Market and

the action of the High Authority. The one brief recession in the period — in 1953-1954 — was softened and possibly halted by the existence of the Common Market with its greatly increased outlets for the firms first hit by the decline in orders. In addition, a more regular and assured flow of coal supplies, the co-ordination of scrap imports at a reasonable price level, the stimulation of trade in iron ore between the member countries, and the reduction of international rail freight charges, all played their part in expanding steel production.

In the same period (1952-1957), world output of steel expanded by 38 %, compared with the Community's 43 %. Thus, for the first time since before World War I, Europe was not being outpaced by the rest of the world. Indeed, among the world's four major steel producers (the United States, the Community, the Soviet Union and Britain, in that order) only the Soviet Union showed a greater rate of expansion (48 %), and the United States (21 %) and Great Britain (32 %) lagged behind.

In addition to the impressive increase in steel production, there has been a startling rise in the level of trade between the Community's member countries. This rise, which has been particularly large for steel and scrap, indicates a more rational distribution of production and better supply conditions. The removal of frontier barriers to trade has meant that coal and steel have been taking the shortest haul to the areas in which they could be sold most

economically. Belgium and Luxembourg have obtained better supplies of iron ore; Italy has benefited in her scrap supplies; France in her supplies of coke for steel-making; and Germany, Italy and the Netherlands have obtained substantial benefits in their steel supplies.

A third concrete result has been a relative stability in steel prices. Steel prices have risen by an average of only 15% in the Community compared with 31% in Great Britain and 34% in the United States. This stability has been due in part to the system of published price lists, and partly to the assurances of supplies and markets given to firms by the rules of the Treaty. Since Governments of member States can no longer impose import or export restrictions, the tendency to speculative buying in boom conditions and panic selling during a recession has become much less pronounced.

Now, the aim of integration must be to improve the living standards and working conditions of all those who are engaged in our industries — to promote, in the words of the Treaty, "the improvement of the working and living conditions of the labour force . . . so as to harmonize those conditions in an upward direction". This is the core of the philosophy of our European Communities. If we do not succeed in doing this, we shall have failed in our purpose, and we can only succeed in doing it if we maintain a high rate of investment.

This brings me to the fourth concrete result of the operation of the Common Market for Coal and Steel. I am referring to the sharp expansion which has occurred in investment in the Community's coal and steel industries. We have known for some time that competition was producing the desired stimulus to modernization and rationalization. We had already seen the speeding up of concentrations of firms in France and Germany and of modernization in Italy. But we knew that it would be some time before we had statistical evidence of what was happening. The reasons are not hard to find. In the first place, investments must be planned several years ahead, and in the early years of the Common Market the investment projects then being realized had been planned before the Common Market started. Secondly, as the Common Market opened during a mild recession, it was for some time possible to expand production by extending the use of existing capacity.

Not until the High Authority's 1957 investment survey did we see the statistical evidence we had been expecting. Investments in the Community's coal and steel industries in 1957 were around \$ 1,300 million — 30 per cent more than the annual average of \$ 1,000 million actually invested from 1952 to 1956.

Those, then, are the concrete results of the first five years of operation of the Common Market — an unprecedented increase in production and trade, stability of prices and a sharp spur to investment

as a result of increased competition in a large single market.

Over and above these material achievements, we have done something more important. We have proved that integration, even with the difficulties produced by its limitation to a given sector of economic activity, can not only work but work well. In doing so, it has shown Europeans that they can work together in daily contact, and it has created a European way of looking at things — one can go so far as to say a European interest, which is neither the sum nor the average of the national interests of the member countries. Regular contact on important decisions to be taken in Luxembourg has produced a new way of thinking on the part not only of Governments but also of the previously sceptical workers, producers and consumers.

The Coal and Steel Community's Future

Now I want to deal briefly with the Coal and Steel Community's future — in particular, the major tasks of the High Authority and the problems which face us. The transition period is over, a single Common Market for coal and steel is in existence and is working successfully. Where do we go from here?

The major task of the High Authority now that the Common Market is in full operation is the guidance

of investments and the promotion of economic well-being through a soundly-based expansion. The High Authority must now pay increasing attention to the problems of long-term development and prospects. It is its duty to see that the Community's coal and steel industries reach the objectives required by the general expansion of the economy.

In the coal and steel industries, there is a gap of several years between the planning of new investments and the coming into production of the new installations. The sinking of new pits, and the installation of blast - furnaces and rolling mills, cannot be determined by the short-term trends of the market. Other methods, offering to each enterprise an overall view of likely developments in the whole of the Community, are necessary.

The High Authority has no direct control over the investments of individual firms, which are planned and implemented by the firms themselves. But it influences investments programmes in a variety of ways.

In the first place, its long-term studies, known as the General Objectives, predict the course of future requirements in coal and steel and the developments needed to meet them. These forecasts are based on detailed investigation by teams of distinguished economists and industrialists into the estimated future rise in gross national product and in industrial output. The General Objectives form the basis of

Opinions which the High Authority issues on firms' investment projects, the most important of which must be submitted to the High Authority at least three months in advance.

Thus, while it is true that in general the High Authority seeks to persuade rather than compel, an examination of the change in the types of steel investments planned for the coming years makes it abundantly clear that the High Authority's warnings have been heeded.

In addition to its long-term guidance on investment, the High Authority can stimulate investment directly in two ways when it considers projects to be in the general interest of the Community's development. First, it can raise loans and re-lend the funds to Community firms. So far it has raised some \$ 170 million, which in turn have assisted in the financing of projects totalling some \$ 720 million. These loans are raised at substantially lower interest rates than those obtainable by the firms to whom they are re-loaned. Secondly, the High Authority can guarantee loans which firms themselves wish to raise.

These powers go a long way to clarifying the future of the Coal and Steel Community's industries, and the future they indicate is extremely bright. The objective for steel production, for example, is the doubling of output by 1975, when it is thought that

the Community should be producing 105 million metric tons a year.

But the very speed of this expansion, and of the expected general industrial expansion of which it will form part, poses major problems in the field of energy supplies. I do not think any of us should be unduly influenced by the current signs of industrial recession percolating through from the other side of the Atlantic. We should not forget that, when the expansionary trend is resumed, the sharply upward long-term movement in our energy requirements will continue. Of the different forms of primary energy — coal, oil, gas, water power, atomic energy — it is for many purposes possible to choose the ones we propose to use for the manufacture of secondary forms of energy such as electricity. It is impossible to take decisions of this nature, and to make reliable long-term provisions, if we consider coal alone. The High Authority has from the start been conscious of the need for a unified energy policy, and the Community's Council of Ministers last year asked the High Authority to carry out the necessary co-ordination.

The Lessons of the First Common Market

The European Coal and Steel Community was the pilot plant of integration. If it had not worked so effectively, it is doubtful whether we should now

have alongside it two new Communities — the European Economic and Atomic Energy Communities. Nor should we be negotiating at present for the establishment of a wider area of economic co-operation which would link the other 11 member countries of the OEEC to the Six. Now let us look for a moment at the lessons taught by the operation of this pilot plant. How valid were they in the drawing up of the Treaties for the two new European Communities, and what light do they throw on the current negotiations for what has been called, perhaps a little hastily, a Free Trade Area?

In the first place, there must be a set of common rules to ensure fairness of trade and equal treatment for all concerned.

Secondly — and this part of our experience is absolutely fundamental to the success of any future operations — we must have an independent executive body, taking its decisions by simple majority vote, to apply the rules and to carry out the basic day-to-day tasks of introducing and supervizing the Common Market. We do not believe that these tasks can be accomplished simply by economic collaboration between governments, with representatives meeting regularly to settle common problems by unanimous vote. While a great deal has undoubtedly been achieved in Europe through co-operation of this kind, experience shows that its limits are clear. As soon as real difficulties arise, Governments tend to take unilateral action. Sometimes this action

disrupts the organization; more frequently, Governments undertake delaying actions, often with the connivance of other Governments which want to safeguard themselves against the day when they are in a similar situation, and the position becomes one of deadlock and frustration. Thus, to govern a Common Market, the executive body must be able to arrive at decisions speedily and have sufficient powers to enforce these decisions. Otherwise the same dilemmas will arise as in inter-governmental organizations.

An authority with real powers must be subject to democratic and judicial control. In the Community the democratic check is exercised by the European Parliamentary Assembly, which serves all three European Communities. The Assembly keeps a close watch on the Communities' executives, largely through the activities of its very vigilant standing committees, and it can also compel the executives to resign in a body by a vote of censure.

The judicial check is provided by the Court of Justice, which also has jurisdiction over all three Communities. The decisions of this Court of seven judges, to which governments, individuals and firms, as well as the Communities' executive institutions, have the right of appeal, are directly enforceable throughout the Community area.

Thirdly, there must be a definite programme, with clearly marked stages, and a transition period with

safeguards to avoid dislocation to the weaker sectors of the economy.

Fourthly, in a Common Market, the measures taken must be irreversible; otherwise the economies of the countries affected will not carry out the necessary adaptation to the new conditions with the requisite speed and decision. The whole purpose of the operation, which is to raise living standards and working conditions, through rationalization, re-equipment and expansion, would thereby be thwarted.

Fifthly, *laissez-faire* and the forces of the market are not in themselves enough to bring about the integration or association of different countries' economies. Some provision must be made for positive action, both for readaptation of workers and to ensure the harmonization of the national governments' social, fiscal and economic policies. This does not by any means imply that the harmonization of everything is a condition of integration, but major distortions must be ironed out and the member countries' economies must move towards, rather than away from, each other.

And now two final points of a more general nature. We must be quite clear from the start, I think, that the integration or association of economies is not a kind of economic alchemy. We are not going to get something for nothing. I sincerely believe that there are vast long-term benefits to be obtained, but the

obligations also must be accepted. We must put something in, in order to get more out.

Finally, one of the things we have learned in the Coal and Steel Community is that, provided the political will exists, there is no technical obstacle on the road to economic integration which cannot be overcome. Of course we have had problems, some of them big problems, though they have frequently proved different from those envisaged and less intractable than the pessimists predicted at the start. That seems to me to be something which all connected with the present negotiations for a Free Trade Area should bear in mind.

Integration with the new European Communities

I may have given you the impression from what I have said so far that the tasks we had to achieve were easy, and that — if I may be permitted to distort Voltaire a little — everything has been for the best in the best of all possible common markets. This impression would be a false one. The work has often been difficult and arduous, and there have been times when the lights could be seen burning at the windows of High Authority offices well into the night.

Among our most difficult problems has been the dissolution of cartels, particularly the coal-selling

cartels which existed in various countries of the Community, and the appeals against High Authority decisions on these cartels which were lodged with the Court of Justice. The tendency of Governments to interfere in the field of coal and steel prices and the contradictions between a sound long-term policy for coal and steel (which is the responsibility of the High Authority) and the day-to-day needs of economic policy determined by short-term trends (the responsibility of governments) have also caused us difficulty at times. On occasion, too, disparities between the currencies of member States have created problems for us.

An analysis of our problems reveals with surprising clarity the extent to which many of them arise from the partial nature of the integration involved in the Common Market for coal and steel. Nearly everything the High Authority does in the field of coal and steel has a bearing on the economies of the member countries as a whole, and particularly on their transport, fiscal, social and general economic policies. There have been many things which it has proved difficult to do for the coal and steel sectors alone without creating distortions for the rest of the economy, which remained organized in its previous form and subject only to the jurisdiction of national governments. The men who drafted the Coal and Steel Community Treaty were aware of this contradiction, and it was only because they considered the Coal and Steel Community merely

as a first step towards full economic integration that they were prepared to accept it.

Since the 1st of January this year a European Economic Community and a European Atomic Energy Community have been in existence. Henceforth, as the ministers of the six countries try to work out in the Council of Ministers of the Economic Community a unified economic policy, the difficulties of partial integration which we have been experiencing will gradually vanish.

By and large, these two new Communities have been set up on the pattern of our Coal and Steel Community, and the lessons which have emerged from our experience, and which I have just enumerated to you, have been incorporated in their structure.

At the same time, there are certain differences, notably between the Coal and Steel Community Treaty and the Treaty establishing the European Economic Community. In the ECSC, the power of decision lies with the High Authority, subject in certain cases to the approval of the Council of Ministers. In the Economic Community, however, this power lies largely with the Council of Ministers. But we should not exaggerate this difference: the Council can still act only on proposals submitted to it by the European Economic Commission, and it can only amend these proposals by unanimous vote. Moreover, as the twelve to fifteen year transition

period passes, more and more of the Council of Ministers' decisions will have to be taken by majority, rather than unanimous, vote. In time, therefore, the operation of the European Economic Community will become not so very different from that of the Coal and Steel Community.

The much wider scope of the European Economic Community also means that the Treaty by which it is set up differs considerably from that of the ECSC, and indeed from that of Euratom. While the ECSC and Euratom Treaties each provide in effect a book of rules for the operation of the Coal and Steel and Atomic Energy Communities respectively, the Economic Community Treaty consists rather of a list of aims, procedures and time-limits. Except for the precise details on the stages of the transition period, the EEC Treaty does not specify in detail the rules to be applied in attaining the objectives it lays down. It merely says that such rules must be drawn up by the institutions. This is a natural enough distinction. Both the ECSC and Euratom Treaties cover specialized sectors of the economy, and in all countries these basic sectors are the object of particular attention by the national governments. It is natural that, on the Community plane also, special powers should be given to the executives responsible for these basic sectors.

A Court of Justice and a Parliamentary Assembly of 142 members are common to all three Communities. We look particularly to the European Parliamentary

Assembly to provide the political stimulus required to ensure that our three Communities move irrevocably towards that full economic, and eventually political, unity which is the fundamental aim of us all. Already, at its first meeting in March, it showed its independence in electing M. Robert Schuman as its president, despite the Governments' recommendation that an Italian be chosen, and it set an example by dividing itself into three political party groups irrespective of nationality.

The High Authority and the Economic and Euratom Commissions have also declared from the start their determination to co-operate closely and fully in the different aspects of their task of integrating the Community's economy. Services common to the three executives have already been decided on. I personally believe that the regular contacts between the Six will be so close and frequent in the three Communities that political unity will become inevitable. When I think that it was only eight years ago that Robert Schuman made his historic declaration, and only four years ago that prospects for European unity seemed to have been suddenly dashed to the ground by the rejection of the European Defence Community, I am filled with hope and optimism by the progress we have made.

The Community and Third Countries

At the same time, many of our problems remain to be solved. One of the biggest of these at the moment, and one in which Denmark is specifically concerned, is the question of our relations with the other countries of Western Europe. We fully recognize that the economic integration of our six countries may create certain problems for other countries with whom they have always traded. Some countries fear that the abolition of internal customs barriers between the Community's Member countries, and the introduction of a common external tariff, could in some cases modify or even dry up certain flows of international trade which existed before the Common Market. I can understand the fears that have consequently been expressed by some countries, but I believe that, if the Economic Community follows the same open policy towards the rest of the world as that pursued so far by the Coal and Steel Community, those fears are not justified.

It was a fundamental principle of my friend Jean Monnet, who was closely associated with the original Schuman proposals and who later became the first President of the High Authority, that the Community should remain open to all who wished to join, and not become turned in upon itself. It was

certainly no part of the intentions of those who founded the Coal and Steel Community to replace narrow, national selfishness by a wider, supra-national selfishness.

Let us therefore take a look at what has actually happened in the Coal and Steel Community's relations with other countries. First, our foreign trade. If, as many people said at one time, it had been our intention to become an autarchic block, the Community's foreign trade in coal and steel products would have remained stationary or declined. What did in fact happen? Between 1952 and 1957, the Community's steel exports rose by over 45% to reach nearly 10 million tons. Exports of coal and iron ore rose substantially. Only coke exports have declined since the start of the Common Market — an understandable enough feature in the light of the phenomenal increase in steel production, which outstripped the growth in the Community's coke-oven capacity. The rise in imports over the same period was even greater than that of exports. Imports of coal, iron ore and steel all practically doubled, while scrap imports increased to eight times their level at the start of the Common Market.

Nothing shows more clearly than these figures the extent of the Community's dependence on foreign trade. For us, any ideas of becoming a closed block are unthinkable: they are alien to our whole way of thinking and to every aspect of our economic interests.

Secondly, the High Authority of the ECSC has tried from the start to show the greatest possible degree of flexibility in its relations with other countries, and has been prepared to conclude special agreements with them to meet their special requirements.

The most important of these agreements is, of course, the Agreement of Association with the United Kingdom. This sets up a permanent Council of Association for continuing consultation; the Council's major achievement so far has been the reduction by about half of the British tariff on steel, to coincide with the harmonization of the Community's external tariff on steel in February of this year. The Community also has a Consultation Agreement with Switzerland, under which each side undertakes to consult the other before taking any measure which might affect trade between the two areas. Finally, the Coal and Steel Community has signed rail transport agreements with both Switzerland and Austria, following requests by these countries for negotiations. Under these agreements the Community's direct international through-rates are also applied to transit traffic through these two countries, thereby removing the handicap to Switzerland and Austria which these through-rates would otherwise have presented. The High Authority also maintains close links with international organizations and particularly with the Council of Europe. I only need to add that nine countries, including your own, have accredited permanent diplomatic delegations to the High Authority in Luxembourg.

The final point I want to discuss concerning our relations with third countries is the harmonization of our external tariffs at the end of the transition period in February. Before the Common Market came into being, import duties on steel in the six countries ranged from approximately 4 % in the Benelux countries to 20 and even 25 % in Germany, France and Italy. In five years, these tariffs were harmonized on the basis of the Community's lowest tariffs — those of the Benelux countries — plus two points. The average incidence of the Community's protection on steel is now no more than between 6 and 10 %.

This is a major achievement. You can imagine how long it would have taken to achieve reductions of such magnitude through negotiations in GATT. The fact that this harmonization has been supplemented by a rough alignment of the British steel tariff also at the Community level is one of the favourable auguries for solution of the many complex problems raised by the inclusion of coal and steel in the proposed free trade area.

Thus, I think we can justly claim that our external policy in the Coal and Steel Community has been both open and liberal. Nevertheless, it is perhaps natural enough that third countries should still feel apprehensive about the operation of the European Economic Community, and seek ways of countering any possible damage to their own trade currents which might occur as a result of the establishment

of a customs union of the Six. In theory, there are two ways in which these apprehensions could be met. The simplest, of course, would be for third countries, or at any rate the OEEC countries, to join the general Common Market as full members. But for various reasons, other countries have found it impossible to accept the obligations of a full Common Market covering, as in the European Economic Community, all goods, services, labour and capital.

The Free Trade Area

The second way, therefore, is to find a more flexible formula which would enable the eleven remaining member countries of the OEEC to associate with the Six on a multilateral basis. This was the aim of Great Britain in proposing the first draft of a project which she called the Free Trade Area. Let us now look at some of the problems of such an association, and in particular those aspects concerning a Free Trade Area for coal and steel.

It has been said many times that the six countries have no desire to set up an autarchic economic system; they are determined to see that their economic Community is a market open to the rest of the world. But at the same time the six countries are unshakable in their resolution to ensure that the three Community treaties which they have signed

shall be kept intact, and that the institutions they have set up shall continue in being.

These two aims may at first seem contradictory; undoubtedly, the opponents of European integration on the one hand, and the opponents of free trade pure and simple between the countries of Europe on the other hand, tend to adopt somewhat rigid positions. Thus the former seem to be attempting to devoid the treaties of Paris and Rome of all their effective content, while the latter defend every detail of the Community system. If one has the courage to look at realities, however, it is not difficult to see that these two elements are not irreconcilable and that a solution can be found if everyone is ready to understand the other's point of view. That solution we are now attempting to find in the OEEC negotiations in Paris, in which I have the honour to participate.

Under the Treaty of Rome, the six countries gave up a part of their sovereignty by accepting a common discipline, not only for the unification of their external tariffs and of their commercial policy, but also in adopting common rules of competition. The Coal and Steel Community Treaty, which, as I have said, was to a very large extent the forerunner of the Rome Treaties, laid down a harmonized tariff which to all intents and purposes has the same effect as a common tariff; it also lays down rules of competition; it institutes a price system adapted to the special characteristics of the market for coal and

steel; and it provides for special measures in times of serious shortage and crisis. Any association of the other OEEC countries with the Common Market must be based on the realization that these principles lie at the very foundation of the Community, and that a solution must be found to enable these principles to remain in the Community side by side with a greater freedom of trade between the 17 countries of Western Europe.

The first principle concerns competition, and particularly subsidies. The fundamental rule of competition within the Common Market for coal and steel is the ban on direct and indirect subsidies by the governments to the coal and steel industry. Now, if we are going to open up the Community's industries to direct competition from the other countries, by abolishing customs duties, it seems to me absolutely indispensable that the other countries should be bound by the same obligation. It is inconceivable that the industries of our six countries should face competition from products whose cost price is partly covered by subsidies while they themselves are prevented by the Community Treaty from having their costs and their prices lowered through government aid.

Moreover, as I have indicated, the ECSC Treaty bans the establishment of cartels and concentrations which would give firms a dominant position in the market. Agreement already seems to have

been reached in the Paris negotiations on the need for something similar in the Free Trade Area.

As part of our rules of competition, I have explained that all transport rates which discriminate on the basis of the origin or destination of the products are banned in the Common Market. In a Free Trade Area, similar rules would be needed; I am convinced that agreement is possible on this point.

The second feature peculiar to coal and steel, as I have already stated, is the price system. Within its frontiers, the Coal and Steel Community bans all discriminations and all price practices whose effect would be a purely temporary or purely local lowering of prices with the aim of acquiring a monopoly position in the Common Market.

Our experience has shown that it is only when producers are compelled to disclose their prices at all times, while retaining of course the right to change them, that unfair price practices can be avoided. Moreover, publicity is indispensable in order to enable the consumer to choose his supplier with full knowledge of the market. Thus in the field of prices, too, it is equally impossible for us to ask our industries to compete with other producers who are not obliged to publish their prices or forbidden to practise dumping and discrimination.

In saying this I do not imply that we should have exactly the same price rules as we have in the

Community, but I do want to say that in my opinion the Free Trade Area must have some means of avoiding both discrimination and dumping, while at the same time allowing some degree of flexibility in prices.

Some flexibility of prices will certainly be necessary in a vast market covering all the member countries of the OEEC, particularly when we consider that the institutions governing this market are unlikely to have such clearly-defined powers of supervision over the pricing system as are granted to the Community's institutions by the Coal and Steel Community Treaty.

Finally, there are the rules provided by the ECSC Treaty for allocation of coal and steel products in conditions of serious shortage, and also the provisions for introducing a system of quotas, minimum prices and import restrictions in a severe slump. This is a balanced system worked out in the interests both of consumers and producers.

It would only be fair that in case of a declaration of serious shortage by the Community, we should grant the other participating countries in a Free Trade Area the opportunity of sharing in the allocation system following declaration of a serious shortage.

Moreover, it will also be necessary, in order to maintain the same balance which exists in the

ECSC Treaty, for consumer countries of a Free Trade Area to find a way of joint action with the Community in a severe recession, so as to preserve from disruption production capacity which would be required in normal conditions, and which, in a Free Trade Area, must be appropriate to the size of a new and wider market.

It may well be that the provisions for severe slump and boom conditions will be one of the most difficult points in the negotiations, but we, for our part, shall certainly do everything possible to help reach a solution acceptable both to producers and consumers.

I do not want to go into any greater detail on the precise nature of the rules which could serve as the basis for association of the Six with the other Member countries of the OEEC. I should just like to add, in conclusion, the following: if one is convinced, as I am, that the ECSC Treaty is something which must remain in full force, in view of the practical results it has achieved, and, at the same time, that this market must be drawn into increasingly close association with other countries, then we must establish certain basic rules which everyone will have to obey.

Should one of the countries infringe these rules and thereby distort competition, the countries affected must have the right to introduce counter-measures as a safeguard. They must have a right of appeal to

the Free Trade Area's institutions, which will then either authorize these measures if they find the complaint justified, or demand their abolition if they reject the complaint.

So much for my views on how the problems posed by the inclusion of coal and steel in a Free Trade Area or similar association of the other OEEC countries with the Six might be solved.

I have tried, Mr. Chairman, Ladies and Gentlemen, to describe in this talk the salient features of a Common Market; our experience in operating the first Common Market — the Common Market for Coal and Steel; the lessons we have learned in its operation; the way in which those lessons have been applied and are being applied in the new steps towards European integration; and the light which they throw on our efforts to build a wider association which will provide a basis for true unity in Western Europe.

While we in the six countries of the Community are determined to go ahead towards full economic integration, and to preserve the Community Treaties and the structure which they set up, it is in my opinion vital that we should find a durable means of associating our Common Market with the other countries of the OEEC. At times the negotiations for a Free Trade Area have seemed to be standing still and some quarters have doubted whether a successful outcome was possible. On both sides at

times extreme positions may seem to have been taken up, and may appear to have rendered agreement difficult.

It is at times like this that patience and understanding are most required. I said earlier in my speech that one of the lessons we learned in the ECSC was that, where the political will exists, no technical problem of integration is insoluble. The technical problems are without doubt extremely difficult, and indeed require careful and painstaking negotiation, and at times it may be difficult to make the effort to see the other side's point of view. But the prize is great. It is no less than the foundation of a true basis for unity in free Europe, with all that that means for peace and the strength of the free world. Let our efforts, our patience and our understanding be worthy of the prize at stake.