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INFORMATION BACKGROUND

THE EUROPEAN COAL AND STEEL COMMUNITY; PROGRESS AND PROSPECTS

Text of an address by Herr Fritz
HELLWIG, Member of the High
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Gentlemen,

First of all, let me extend to you the good wishes of the High Authority of the European Coal and Steel Community, and in particular of its President, Prof. Piero Malvestiti. The President was originally to have come here himself to speak to you, but unfortunately he was not able to do so, and had to ask me to take his place.

I accepted with pleasure, although the arrangement is perhaps a trifle hazardous for you as well as for me. For you the main trouble is that my French is not fluent enough for me to speak to you off the cuff; for me, of course, it is in any case difficult to give you an account of progress and prospects in a field for which I am myself partly responsible.

I am well aware that descriptions of activities to date and expectations as to coming developments are liable to degenerate into panegyrics on the past and sweeping promises for the future. This is a risk I am particularly anxious to avoid inasmuch as I am speaking to men who are permanently in touch with the harsh and sober facts of technical and economic life.

Any attempt to sum up the progress of and prospects for an undertaking must necessarily involve comparing the objective pursued and the results achieved or to be achieved.

What, then, were the main objectives of the Coal and Steel Community which was set up under the Treaty of April 1951 and came into operation in July 1952. I think I may say that they were two in number:

- (1) to establish common foundations for the common economic development of our countries, and thus progressively bring into being a broader and deeper community among the peoples of Europe;

- (2) to conduct, in a limited but economically important field, the first concrete experiments in economic integration, by the introduction of a common market.

The first question with which I must deal is whether these objectives have been attained. The Community has undoubtedly succeeded in the first case, although of course we are still far short of the political Community which the makers of the Treaty obviously had in mind, both as regards the structure of the Community institutions and the number of the member States. However, it is an undeniable fact that this first European Community provided the impetus for the process which finally culminated in the establishment of two new Communities, the Common Market and Euratom, which are pursuing on a broader front the work of integration begun by E.C.S.C. in two sectors only, coal and steel. The Coal and Steel Community's gimmick, if I may call it so, was the fact that it was so planned that both its successes and its failures, if any, both its achievements and its disappointments, must necessarily operate in the same direction: successes and achievements would be an incentive to extend integration, failures and disappointments would be due to the restricted scope offered by partial integration, and would therefore themselves be weighty arguments in favour of discarding the partial approach and instituting a system embracing the whole economy.

But to give a true picture of the progress and prospects of E.C.S.C. it is even more necessary that I answer the second question, Has the first European Community succeeded in establishing a common market for coal and steel? What results have been achieved? Here, first of all, I must dispose of a fairly common misconception. In discussions on common markets, there is usually a tendency to exaggerate the importance of the negative action required -- the abolition of tariffs, quotas and other impediments to the free movement of goods, capital and persons. Such action, though a necessary precondition, is not in itself sufficient to establish a common market: instituted via the traditional devices of a Customs union or free-trade area, it serves only to produce a geographically extended market. E.C.S.C.'s experience has shown that this negative action involved no major difficulties. Customs duties, quotas and other impediments were done away with for coal and steel in one sweep when the Common Market was first introduced, with a single exception in the case of Italy, which was authorized to continue charging duty on coke and on iron and steel products, on a descending scale, over a transition period of five years.

It is worth noting that, in contrast to the apprehensions and complaints which were voiced before the Common Market was introduced, Italy's iron and steel industry has undergone a more startling expansion than any other in the Community, actually doubling its production since 1952.

So the hardest nuts to crack in economic integration are certainly not the Customs barriers or quantitative restrictions. It must be borne in mind that duties, quotas and other impediments to trade are really only the outward and visible signs of a much more basic circumstance, the diversification of the economic structures of our countries over the centuries, and the splintering of Europe by economic nationalism.

Thus a market which has been geographically extended by the abolition of impediments to trade is not at all the same thing as a true common market. A true common market can be achieved only by positive action -- the establishment of a certain common economic order in the market so extended. This involves common rules for the short-term operation of a market based on the principle of free competition, common long-term market planning, and common or at any rate co-ordinated economic policies on such matters as the business cycle, currency, transport, international trade, taxation, social-security charges, energy, agriculture, and so forth.

1. E.C.S.C.'s contribution to the introduction of a common market

Such are the major problems raised by the creation of a common market. Before I go on to discuss the manner in which the common market for coal and steel has developed in practice, I should like to put forward a few general observations on the part which E.C.S.C. has played in solving them.

Its first duty under the Treaty was to establish normal conditions of competition in the coal and steel markets, and thereafter to see to it that these were maintained and respected. To this end, the Community's institutions, and in particular its Executive, the High Authority, are required to eliminate and prohibit all elements incompatible with normal competition, to intervene on a limited scale so as to create market conditions calculated to promote such competition, and to intervene direct in production and marketing matters where the prevailing conditions of competition are working out counter to the basic aims and objects of the Community.

Fluidity of supply and demand throughout the Community irrespective of national frontiers can be achieved economically only given the proper degree of market transparency. Producers are therefore required to publish their price schedules, which they may in principle fix as they see fit. The High Authority for its part contributes to market transparency by conducting a continuous study of market trends and publishing at regular intervals programmes with forecasts on production, consumption, exports and imports.

The charging of different prices for similar transactions is incompatible with the principle of competition. Before the Common Market was introduced, such dual pricing was quite usual in the Community countries. The prohibition of the practice has resulted in substantial reductions in the prices of products traded between one Community country and another. At the same time, it must be acknowledged that the Treaty's special rules on pricing do raise a definite problem with regard to competition between coal and the other sources of energy, such as, in particular, oil, which is not governed by them. I shall be referring to this matter in a moment, when I come to the subject of the co-ordination of energy policy.

In the case of bulky products such as coal and steel, the abolition of discriminations in prices ex mine or ex works is completely stultified if discriminations are allowed to continue in transport rates and hence to push up the delivered prices for certain consumers, particularly those obtaining their supplies from a Community country other than their own. The High Authority therefore had first of all to do away with the arrangements whereby carriers charged different rates in respect of the same freights and the same mileages according to the country of origin or of destination. In addition, the introduction of rail through-rates for cross-frontier traffic involved working out new formulae to make these rates taper continuously over the whole run. The results has been a considerable reduction in cross-frontier transport costs. The whole operation is a good example of the radiation effect of partial integration: it could not be carried through effectively without repercussions on the non-integrated sectors.

The transport problem has proved very much more difficult in the case of the other two main modes of transport, road haulage and carriage by inland waterway. The difficulty is that in both these cases consignments shipped from one country to another are conveyed the whole distance by the same carrier. If the whole trip were charged at the carrier's internal rates, this would disturb the balance between the different modes of transport in each of the member countries; on the other hand, if each leg were charged at the rates in force in the country concerned, there would be no competition in the sector at all. The High Authority has been endeavouring -- so far without result -- to reach a satisfactory compromise. A partial agreement respecting Rhine river shipping

has been concluded in the Council of Ministers, but has up to now, unfortunately, remained a dead letter. The solution, I feel, can only lie in a full-scale Community transport policy -- that is, in the General Common Market.

When the Common Market for coal and steel was introduced, the High Authority was confronted by a whole range of Government systems and regulations which were in conflict with the principle of competition. It first compiled an exhaustive list of these, and then abolished them by a series of decisions on such practices as Government price-fixing and the running of compensation schemes in all kind of fields. Subsidies and special charges was progressively done away with during the transition period.

Again, strictly, Governments were supposed to take no action affecting the pricing of coal and steel. But, as you will realize, it would have been unreasonable to expect them thenceforth to plan their whole economic policy in line with the Common Market and the development of two individual industries, however vital. So, as we all know, it does happen that the broad outlines of economic policy are fairly markedly at variance with the basic elements of the economic situation within the Community. This is naturally reflected in differing reactions to cyclical price movements, a problem with which all the Governments are closely concerned.

This situation has somewhat complicated matters for the High Authority, thus incidentally bringing out the limitations of partial integration. In particular, it has been found that some Governments, whose general economic policy is based on different principles, are in the habit of taking direct action in the coal and steel sectors which is liable to distort the normal operation of the market. The High Authority makes use of its powers where it proves impossible to reach an agreed settlement. Notes are compared in the Council of Ministers on the different means of economic action in so far as they are likely to affect the coal and steel markets, with a view at any rate to harmonizing the activities of the High Authority and the general economic policies of the Governments. But from the more long-term angle there can be no doubt that a European economic policy is a "must."

The functioning of a competitive market is not conditioned purely by operators' reactions and official measures: it is also to a great extent governed by the actual structure of the market itself. For this reason concentrations among coalmining or iron and steel enterprises require prior authorization by the High Authority, and producer cartels are in principle prohibited. As was to be expected, the introduction of the Common Market was the signal for a definite movement towards concentration.

Concentrations authorized so far by the High Authority have been of two kinds: some were mainly intended to improve specialization by harmonizing production programmes or to rationalize production by instituting joint processing facilities, while others were aimed at making enterprises better able to withstand cyclical fluctuations by means of mergers with raw-material or processing concerns. The Treaty is in principle all for larger enterprises provided this is calculated to afford economic and technical advantages without involving the danger of market dominance by individual firms. Difficulties of interpretation have, however, arisen as to where and how a planned concentration may make it possible for the enterprise concerned either to determine prices, to control or restrict production or distribution, to impede competition in a substantial portion of the market, or, by establishing itself in an artificially privileged position, to evade the rules of competition of the Common Market. This problem came up, in particular, in connection with the projected concentration between the two big German concerns Thyssen and Rheinrohr, and was never solved in the end, since the application for authorization was ultimately withdrawn.

The structure to be established in the coal market has all along been one of the most intractable problems of all. It is not enough to ensure compliance with the prohibition on cartels and centralized buying and selling agencies; what is needed is a system which will both permit the market to operate and make due allowance for the basic character of the Community industries. In the Ruhr, the High Authority insisted on the institution of three separate and independent selling agencies in place of the earlier centralized selling system known for short as "Georg"; at the same time, to enable the industry to cope with market difficulties and falling sales, it allowed some matters to be handled on behalf of the agencies by a joint office. The structural crisis in the coal market has brought this problem up once more. It is now for the Court of Justice to give its ruling whether a centralized selling system can be authorized by the High Authority in certain given market situations such as have been caused by the radical alteration in the sales position due to structural changes in the energy market. The High Authority for its part, in accordance with a suggestion from the European Parliament, has with the agreement of the Council set up a joint committee to examine whether the Treaty should be revised to cover the new situation created by the coal crisis.

Over against the problem of the selling agencies, we have that of the buying agencies. The High Authority was not prepared to approve national protective arrangements such as those in France, where French buyers are forbidden to approach non-French dealers but must carry out all transactions with suppliers in other Community countries through an official agency, the Association Technique de l'Importation Charbonnière (ATIC). This matter was also laid before the Court of Justice; recently, however, the French Government and the High Authority embarked on a fresh attempt to settle it privately between them.

Competition per se cannot of course dispose of all problems of market operation. In some cases it can produce results counter to the "social optimum". Direct action may then be necessary to ensure a balance which would otherwise deteriorate into a cumulative process. So far High Authority interference with the operation of the market has been extremely limited. When the Common Market was first introduced, the High Authority fixed maximum prices for coal and scrap, in order to avoid the havoc which might have been created by an abrupt switch from regulated national systems to complete freedom within a broader market. The maximum prices for coal were progressively abolished as conditions of competition improved. The maximum prices for scrap were superseded by a compensation scheme whereby the high prices for imported scrap were reduced to the lower level of that recovered within the Common Market, since alignment of internal prices with the marginal import price would have resulted in increases prejudicial to the smooth expansion of steel production. The compensation arrangements were discontinued at the end of 1958, by which time the scrap supply position had improved considerably.

Once the various devices for regulating the operation of the Common Market had been established, the High Authority turned its attention to the matter of long-term forecasts and the means of achieving for coal and steel the objectives needed to ensure the all-round expansion of the economy. In industries where capital schemes take so long to carry out -- think of the time it takes to sink a new mine shaft -- and where the production facilities so provided are intended to last for many years -- pits, blast-furnaces, rolling-mills -- it is not possible to plan development on the basis of the short-term development of the market; ways and means must be found to obtain a comprehensive long-term picture of the overall position. This is what the High Authority set out to provide in the General Objectives for 1960, 1965 and, in the case of coal, 1975 which it worked out in 1956 with the aid of studies conducted by special committees consisting of the best experts of the Community, and published in 1957. These deal with the production capacity to be developed in the various sectors of the coalmining and iron and steel industries, the planning of production processes, the use of new techniques, and the position regarding supply. Such objectives necessarily contain some inaccuracies, and accordingly have to be revised from time to time -- those on steel are in process of revision at this moment -- but they are essential if the enterprises are to be able to get outside their own calculations and see them in the round in the context of the broader market as a whole. The General Objectives impose no specific targets on the enterprises, and leave them entirely free to judge for themselves as to the profitability of any particular project; what they do is to assist them in the selection of their investments and the

planning of their production and modernization activities by supplying practical data based on an overall picture which individual enterprises or small groups of enterprises could never hope to obtain. Also, they serve as a basis for proposals by the High Authority to the Governments concerning measures coming within the latter's jurisdiction but affecting the coalmining and iron and steel industries.

Finally, the General Objectives constitute the basis for the High Authority's investment policy. The High Authority has availed itself of the means afforded by the Treaty for harmonizing investment. It has widely publicized the results of its annual investment surveys, thus enabling all Community enterprises to view their own projects in relation to the whole corpus of schemes carried out and planned in the Common Market. It has arranged meetings with Community producers; it has issued general warnings -- in particular seeking to dissuade enterprises from embarking on unduly large-scale investment in certain sectors -- and since September 1, 1955, it has required all major capital schemes to be declared to it in advance. It examines these to see whether they are in line with the General Objectives, and in some cases issues official opinions on them; lists of these opinions are published, so that prospective lenders are able to ask the enterprise concerned for the details of the opinion before sinking capital in a scheme which the High Authority may have deemed undesirable.

A further indirect influence on investment is exerted by the loans which the High Authority is empowered to grant to enterprises out of its own borrowings: advances to a total value of 250 million dollars have thus been made to Community enterprises to help finance capital schemes in line with the General Objectives.

The High Authority's activities in the field of investment have not been confined to the technical production side; it has also made substantial sums available for the building of some 50,000 housing units for workers employed in the Community industries.

An essential adjunct to this policy of long-term guidance has been the High Authority's work in connection with technical research, which it has both co-ordinated and assisted financially.

The introduction of the Common Market created a new situation for the Community industries. All processes of adjustment to new economic conditions are liable to trigger off changes and reconversions which take time and involve sacrifices. This is the price of progress under

any economic system. What would be altogether wrong would be for the full brunt of the adjustment to be borne by the workers thereby rendered redundant.

Where certain enterprises were obliged as a result of the introduction of the Common Market to close down or to undergo reconversion during the transition period, and even during the two years following, the High Authority helped to ensure that the workers concerned suffered no real hardship and were found productive re-employment. In point of fact, the advent of the Common Market did not result in very many closures: such as did ensure affected only a comparatively small number of workers, and the implementation of the Treaty's provision on "readaptation" -- the tiding-over and, if necessary, retraining of these men -- duly eased the process.

The more recent structural crisis in the coal sector, however, has necessitated readaptation on a far wider scale than did the introduction of the Common Market. The Treaty did recognize that technical and economic progress was liable to involve unfortunate social repercussions where the necessary changes involved unemployment or sudden wage cuts over whole areas, and it therefore provided that in such cases readaptation might be undertaken in the same way as during the transition period. But nothing was said as to readaptation in the event of radical changes in the basic structure of the market itself. In face of this new state of affairs, it became necessary to amend the Treaty, and this was done, in accordance with the Treaty's own provisions, all the Community institutions co-operating. Under the new clauses, the High Authority is entitled to take action to assist the readaptation of workers affected by pit closures, and even the industrial redevelopment of the areas concerned.

While the short-term operation of the Common Market has thus now and then been complicated in some fields by the inevitable limitations of partial integration, greater difficulties have arisen in the framing of a common long-term development policy. Very early on, long before the coal crisis set in, it was realized that there could be no possibility of a separate coal policy independent of the broader framework of a general energy policy. Accordingly, the Governments of the Community member States at the conclusion of the Treaties of Rome acknowledged the value of the High Authority's methods of influencing long-term development, inasmuch as they asked it to submit to the Council of Ministers a set of outline proposals for an overall energy policy. This was done in October 1957: the Council approved the proposals and directed the High Authority to draft concrete proposals for the co-ordination of Community energy policy. I shall be returning to this point in a moment.

But before I go on to discuss these problems concerning the coal market and energy policy, I should like to say a few words about the steel market.

2. The steel market

This year has been a good one for steel.

During the past few months E.C.S.C.'s steel production has been the highest in the world. This is the first time since 1938 that the aggregate steel production of the six countries has topped even that of the United States -- a result of contrary business trends in the two areas, with the American industry in recession and ours booming.

European production for 1960 will work out at just on 73 million metric tons, an all-time record, thus reaching the level indicated in the High Authority's 1956-57 General Objectives. And this has been achieved without producing any shortages to speak of in ore or scrap, and without sending up prices, which are indeed showing a slight downturn as the year closes.

The balanced position as regards raw-material supplies is mainly due to the investment policy initiated in 1955, which may be summed up as concentrating on increasing pig-iron production capacity and restricting the construction of steelworks consuming scrap. The aim was to alter the pig-iron/scrap ratio in steel-making in order to avoid bottlenecks in supply and to shield the industry from the fluctuations and uncertainties which were bound to result from undue dependence on scrap. This meant encouraging economization on scrap by providing incentives, in the form of bonuses, for the increased use of pig-iron and liquid basic Bessemer steel in the open-hearth and electric-furnace steelworks; even more important, it meant stepping up the production of the iron-ore mines, the coking-plants, the sintering-plants and the blast-furnaces. To this end it was necessary that investment should be planned accordingly, and the High Authority did everything in its power to encourage planning along the right lines. Thus practically the whole of the loans granted to the iron and steel industry since 1953 -- 63 million dollars -- were allocated to installations calculated to increase the production of pig-iron. The grants for technical research also contributed materially to this design.

Now a few observations on the outlook for Community steel production.

Production per man/shift has risen by 60% since 1952; production units have increased substantially in size and capacity -- the million-ton-a-year works is now standard -- yet the concentrations necessitated by technical development pose no threat to competition in the Common Market. Trade among Community countries today accounts for one-fifth of total production and is four times what it was in 1952. Average steel prices have remained strikingly steady at all phases of the business cycle; the increase since 1953 has been no more than 3% in the Community, as against 23% in the United Kingdom and 40% in the United States. European prices are today known to be both steadier and lower than those of either of these two major producer countries. The only product which is giving rise to some little anxiety is foundry pig-iron; third-country competition is very keen in this sector, and the High Authority is having to study possible means of dealing with the situation.

In every respect, therefore, the outlook for the iron and steel industry is excellent. The Community is investing nearly 700 million dollars a year in schemes for expanding production, and continues to account for over 50% of the steel export trade of the world. At the same time -- a point which the High Authority feels it only right to emphasize -- it is not enough nowadays to have substantial production capacity at disposal: it is also necessary to establish and foster economic and commercial relations with the parts of the world able and willing to take the production concerned. This is an aspect to which we are paying special attention, at a time when a country like the United States is having to allow 45% of its capacity to stand idle.

3. The coal problem and energy co-ordination

At the time when the Treaty of Paris was being negotiated, and for some years thereafter, the experts -- and not the experts in the six countries only -- were definitely expecting coal to continue in short supply for some considerable time to come, in view of the calculations as to the steady increase in energy requirements.

In 1950, the countries which now form the European Community were particularly anxious to avoid bottlenecks in the coal sector. At a time when coal still provided 73% of the energy consumed in our six countries, the whole process of economic expansion and reconstruction seemed likely to be jeopardized if coal availabilities did not increase in line

with requirements. Even as late as 1957 it was still estimated that coal requirements would be up to 306 million metric tons by 1960: yet in 1959 consumption totalled only 241 million.

It would be going too far, however, to say that the coal crisis came as a complete bolt from the blue. To cite only one example, the High Authority's Third General Report in 1955 laid down as a long-term principle that it would be necessary "to establish conditions which will enable Community coal to withstand competition from imported coal and fuel oil, and should the case arise from other sources of energy." All efforts, it was added, should be concentrated first and foremost on this objective.

It must be admitted that nobody then really envisaged such a rapid and large-scale development of competition from oil, or imagined that in a few years' time the share of coal in European energy consumption would have shrunk by 15% and natural gas come to play such an important part in supply. Nobody foresaw or could have foreseen the astounding results of the latest prospecting activities, which have opened up so many new reserves of oil and natural gas.

The first symptoms of the coal crisis began to be apparent in 1958 and 1959, when stocks were found to be accumulating and production had to be cut back and short-time working introduced.

Whereas pithead stocks at the end of 1957 had amounted to only about 7,200,000 metric tons, a year later they had risen to over 24 million, and by the end of 1959 to 31 million. The incidence was by no means uniform: it was seen at its worst in Belgium, where 25% of annual production had to be put to stock.

These mounting stocks reflected the European coalmining industry's inability to adjust itself promptly to the shrinkage in consumption, even aided by a 5% production cutback through short-time working and pit closures, and by restrictions on imports from third countries.

Now -- an important point -- the process of accumulation continued even in 1959, when industry in general was again doing excellent business, with the iron and steel industry clamouring for coke and power-station consumption running at a high level.

In the main, therefore, it is clear that the sales difficulties of the collieries are due to the increasing use of fuel oil and natural gas in place of coal. Other factors were also operative: greater efficiency in the use of coal itself has been tending to brake expansion in demand, while the movement of maritime freight-rates and pressure from oil on the American home market have combined to make American coal landed in Europe a direct competitor to the Community-mined product.

Accordingly, measures have had to be taken to defend the position of European coal, and above all to adjust it to technological and economic developments.

Various types of defensive action have been adopted. Some countries have imposed restrictions on imports from third countries. This was, however, possible on a limited scale only: long-term contracts had been concluded by many Belgian and German consumers, more particularly with American suppliers, and these frequently had to be specially commuted; moreover, certain imported grades were still indispensable and no real reduction could be made.

The national Governments concerned also took action. In Germany in particular, an import duty was made payable on every ton of coal entering the country in excess of a specified duty-free quota (fixed for 1961 at 6 million metric tons). In the case of Belgium, a ceiling was placed, by the High Authority's Decision No. 46/59, on imports from third countries. It is now accepted that the Community should import some 18-20 million metric tons of coal a year from outside sources -- as against a level of 43,900,000 in 1957 -- in order to provide for real requirements and to preserve certain traditional flows of trade.

But officially-imposed restrictions on imports from third countries obviously could not possibly be an adequate solution to the problem.

Defensive measures have therefore also been adopted in regard to prices, with the aim of making them more competitive vis-à-vis other sources of energy. Price cuts have been made, more particularly in respect of the most vulnerable and hence most threatened grades, and producers have in many cases been prepared to make sacrifices in order that the consumers should not be too much attracted by imported coal.

Yet even so, these measures are not sufficient to meet the crisis.

Complete overhaul of the industry is what is needed -- that is, thoroughgoing reconstruction and rationalization. To this task the High Authority has been devoting itself, in co-operation with the member Governments, with the object of ensuring that the process of adjustment and the necessary transitional arrangements go through smoothly.

The best means of improving the competitive position of coal is by rationalizing operations and increasing productivity. This is particularly important inasmuch as in the coalmining industry wage costs still bear very heavily on the price per ton.

Thanks to mechanization, better skills, longer shifts and the partial introduction of the five-day week, and also to the elimination of uneconomic pits and workings, output per man/shift has been raised quite considerably, from 1,586 kg. in 1958 to 1,906 in 1960. The High Authority's loan and research policy, incidentally, is also designed to promote this trend.

But even as part of the positive rationalization to be carried out, it was found essential to conduct negative rationalization too, *i.e.* to do away with uneconomic production capacity. The French and German producers have realized this and made arrangements accordingly; in the case of Belgium, to which I shall be referring in a moment, a reorganization programme has been worked out by the Government and the High Authority, aiming at the elimination of capacity totalling 9,500,000 metric tons over the period 1959-63.

The High Authority, to encourage this negative rationalization, extended the redundant workers' entitlement to readaption assistance beyond February 10, 1960, and set aside various sums for this purpose, which by June 30 of this year totalled approximately 45 million dollars. It also endeavoured to lessen the financial burden represented for the collieries by the holding of accumulated stocks, allocating under this head the sum of 7 million dollars -- of which 5,500,000 were lent to German collieries -- to help ensure, among other things, that short-time working was kept to a minimum.

The basic principle of the High Authority's work in this connection is that, while the coalmining industry must undergo adjustment and rationalization, it will nevertheless have an important part to play in the future not only in the sectors specifically consuming coal -- that is, for coking purposes -- but also in the energy field as a whole. It is further aimed at ensuring a rapid but appropriately-phased reorganization designed at the same time to preserve as far as is economically justifiable the economic and social balance in the individual areas and countries. Article 56A of the Treaty empowers the High Authority to assist in area redevelopment, provided the member countries submit to it schemes fully worked out.

The case of the Belgian coalmining industry

By the terms of the Treaty the High Authority may take direct action in respect of production and prices only in exceptional cases of severe glut or shortage.

Belgium has, however, all along been a special case, owing to its high production costs and to the difficulties arising from the geological conditions in which the coal deposits have to be worked. During the transition period, a compensation scheme paid for by the German and Netherlands producers was operated to facilitate the sale of Belgian coal and give the Belgian collieries a respite in which to adjust themselves to the conditions in the Common Market. Special grants were made to the sub-marginal pits in the Borinage coalfield, and a reorganization programme was recommended.

However, when the transition period expired in 1958 the industry was still not on anything like a sound footing, and some pits not even within measurable distance of fitness for integration into the Common Market. Production stood at about 30 million metric tons a year.

Now 1958 was to prove a particularly hard year for the Belgian industry, in which no less than one-quarter of the coal mined had to be put to stock.

Still greater emphasis was forthwith laid on the now absolutely vital necessity for sweeping reorganization. The High Authority for its part decided that it would only authorize the subsidies proposed by the Belgian Government provided it received definite undertakings concerning the full-scale reconstruction of the industry. Its own action consisted mainly in financial assistance for readaptation and stock accumulation, and in the organization of "mutual aid" by the other member countries in checking the origin of imports from third countries, in connection with price alignment and closures of uneconomic pits.

But in 1959, despite the introduction of a new price schedule and the payment of the subsidies authorized, things went from bad to worse, until on December 23, 1959, the High Authority was obliged to take a decision concerning the implementation of Article 37 of the Treaty in respect of Belgium. Article 37 provides for the adoption of precautionary measures where a Government is able to show that its economy is exposed to "fundamental and persistent disturbances."

The grounds cited in support of the decision are highly illuminating as to the intentions and objectives of the parties concerned. Thus

- (a) for the Belgian coalmining industry to be rendered competitive independent of assistance or protection, speedier and more drastic reconstruction will be required; the new plan provides for closures representing the forfeiture of 9,500,000 metric tons' capacity between 1959 and 1963;
- (b) the process of reconstruction might have been interfered with by imports of foreign coal into the Belgian market in 1960; under the plan, Belgium was to impose further restrictions on imports of third-country coal, while producers in the other Community countries were to restrict their deliveries to Belgium during 1960;
- (c) the Belgian Government was to be responsible for seeing to it that the home market was not thrown into disarray by large-scale unloading of pithead stocks.

In connection with the Belgian reorganization scheme, the High Authority entered into a number of financial commitments:

- (1) it allocated 6,400,000 dollars for special allowances to mineworkers placed on collective short time;
- (2) it granted 1 million dollars to help finance the holding of stocks;
- (3) it made available 10,560,000 dollars for the readaptation of a maximum of 29,000 workers, and 7,500,000 dollars as a wage-cost subsidy to enable pit closures to be phased over a period.

The High Authority is also prepared to contribute financially to area-redevelopment schemes under Article 56A of the Treaty.

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Reorganization in the Community generally is resulting in a drop in coal production: the total figure for 1960 is expected to work out at 232 million metric tons -- 2 million less than in 1959 -- while production losses deliberately incurred by recourse to short-time working have been reduced from 12 million metric tons in 1959 to 6 million in 1960.

The comparative balance between coal availabilities and coal sales is not, however, anything like firmly established, especially in view of the price war now in progress in the oil market, the new deposits of natural gas found in the Community, and the general level of business activity.

Defensive measures, as I have mentioned, are being adopted on behalf of coal. Action is being taken both at national and at Community level to carry out the necessary reorganization and adjustment. To cushion the harsher repercussions of the crisis, the Governments of the coalbearing countries have introduced emergency arrangements. These are many and various -- limitations on the annual rate of increase in the consumption of petroleum products, cuts in imports of coal from third countries, special taxes and/or excise duties on petrol and diesel oil, stiffer terms for oil importers (particularly in regard to buffer stocks), and so on and so forth. But the arrangements vary from one country to another: they are in no way co-ordinated, and the facilities available to the Governments differ widely according to the pressures from private interests, the legal status of the sectors concerned and the regulations in force.

There is thus little consistency in the overall picture, and co-ordination at European level is undoubtedly highly desirable.

For it is to the common interest of all our countries that the present pressure on the coalmining industry should not be allowed to culminate either in social ruin for the 900,000 workers at the pits and the areas economically dependent on them, or in the forfeiture of the stable indigenous source of supply represented by European coal, or the collapse of an industry which once properly reorganized and set on a forward course has a long-term economic role to play which nobody could seriously think to deny. Also, it is to our common interest that the cost of energy should be low enough to safeguard the competitive capacity of the European industries, and that Europe should utilize and integrate on a major scale, the new possibilities afforded by oil, natural gas and nuclear fission.

When the E.C.S.C. Treaty was concluded, this positively meteoric rise of competition from oil and natural gas was as yet unforeseen: the general expectation was not of a chronic surplus but of a continuing shortage of coal. Even at the conclusion of the Treaties of Rome establishing the Common Market and the European Atomic Energy Community, the great worry was still the so-called energy gap and the inadequacy of Community coal production. Nevertheless, the

signatories to the Treaties of Rome realized the need to co-ordinate the energy policy of the Community. In an Intergovernmental Protocol signed upon the ratification of the Rome Treaties, the High Authority of E.C.S.C. was directed to work out, in co-operation with the Executives of the Common Market and Euratom, proposals for the co-ordination of energy policy.

This involved a great many problems, in connection not only with the material development of the energy economy in the Common Market, but also with the considerable differences in the individual countries' interests, the precise powers and responsibilities of the three Communities and the three Executives, and the actual provisions of the Treaties. The three Executives first of all set up an Inter-Executive Working Party, presided over, in accordance with the Protocol, by a representative of the High Authority. On the basis of the Working Party's directives, ad hoc committees of expert staff members of the three Communities are now studying the position and trends in the energy economy, competitive conditions, possible ways and means of harmonization, and the long-term prospects for an energy economy.

This study work has of course been carried on in consultation with the Government departments and official bodies concerned in the different countries, and the Working Party has been able to submit to the Council of Ministers a number of memoranda on the broad outlines of an energy policy, the main principles for policy co-ordination, and the priority measures to be adopted during a transition period.

It is certainly too early as yet to make any assessment of what has been done in this respect. No practical effect has so far been given to the various proposals, as responsibility in these matters lies with the Governments and the Council; however, the following results have been achieved:

- (1) A workable arrangement has been instituted for inter-Executive co-operation.
- (2) A regular exchange of information and opinions has grown up between the Executives and the Governments, as a result of which the proposal has now been put forward that Community consultation should take place prior to any future action by individual Governments in the field of energy.
- (3) The short- and long-term surveys and forecasts which I told you were already being made for coal and steel are in future to be carried out in respect of all sources of energy and all sectors of energy consumption.

- (4) Highly detailed surveys have been conducted with a view to determining the cost and price position of Community coal from the point of view of competition with third-country coal and with oil. A very large number of enactments and conventions, on such matters as regulations concerning competition, fiscal systems, social charges and import policy, have been examined clause by clause to ascertain their bearing on the competitive position of coal and oil. These apparently somewhat academic studies form the basis for the practical framing of a co-ordinated energy policy, since one of the aims of such a policy would be to harmonize conditions of competition.
- (5) Guiding principles have been worked out for the objectives and measures to be adopted in a long-term Community energy policy. The policy envisaged is to be based on principles of competition, not of economic self-sufficiency or rigid protection.
- (6) Agreement has also been reached on the need for certain emergency measures, and in particular on the need to enable the Community coalmining industry to adjust its capacity and organization to the structural changes in the energy market and the increased pressure of competition. This process would improve its competitive position by progressively eliminating uneconomic capacity which could not withstand competition. It would be necessary to bear in mind most carefully both security of supply and the social interests of the mineworkers.

The Inter-Executive Working Party is now studying the procedure which will be required to implement its proposals. It is important to be clear right away as to the need to agree well in advance on points of procedure. Some of the measures proposed, such as the harmonization of coal import policy, can be put into effect under the existing Treaties in accordance with the powers and procedures laid down in these. Others, such as the suggestion that the member Government should be required to consult together before action is taken at national level in the energy sector, would necessitate supplemental protocols or conventions. With others again, including in particular that concerning the practical application of an "emergency clause" at Community level, it would be necessary to examine whether emergency action of this kind was compatible with the Treaties, or whether it would mean revising, say, the E.C.S.C. Treaty, in accordance with the revision procedure for which the Treaty itself provides.

But the question as to how far the Community or the Executives are entitled to act in the co-ordination of energy policy brings us direct to the higher political problem of when and in what manner the three present Communities are to be amalgamated. Repeated calls have already been made for a merger of the three Executives, yet it has finally come to be realized by the advocates of the merger themselves that this would not in itself get us any further: it can only be one step towards the larger objective of judiciously developing the various forms of economic integration which have been launched since 1950, in order to arrive at a Community in the fullest sense of the term -- political integration.