

EUROPEAN COAL AND STEEL COMMUNITY

THE HIGH AUTHORITY

R E P O R T

on the

Situation of the Community

at the beginning of 1954



TRANSLATION

JANUARY 1, 1954

The President
and the Members of the High Authority
to
the President of the Common Assembly

Mr. President,

We have the honour to submit herewith a report on the overall situation of the Community at the beginning of 1954 which is intended to facilitate the work of the Common Assembly at its extraordinary session to be opened on January 14, 1954.

Please accept, Mr. President, the expression of our high consideration.

Luxembourg, January 1, 1954.

Jean MONNET
President

Franz ETZEL
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INTRODUCTION

1. As it was suggested by the High Authority at the first ordinary session of the Common Assembly in June, 1953, the latter will hold an extraordinary session on January 14, 1954.

The main object of that session is to have, at a plenary meeting, a first exchange of views on the general investment policy of the High Authority. On the other hand, the High Authority which has undertaken to keep the Assembly informed of "the guiding principles of its work and of the main lines of its plans" (1) in all fields of the Community's activities, has decided to submit to the Assembly *a report on the overall situation of the Community at the beginning of 1954* without awaiting the issue of the General Report to be submitted to the Assembly at its ordinary session in May, 1954.

The members of the Assembly and the public opinion in the six countries will find in this report a general survey on the functioning and development of the Common Market, on the High Authority's activities in the field of investments and their financing, as well as on the improvement of the workers' living conditions.

(1) Address of the President of the High Authority delivered to the Assembly on June 23, 1953. See the "*Official Gazette*" of the Community *Proceedings of the Common Assembly*, No. 4, September, 1953, page 185 of the French text.

CHAPTER I

THE COMMON MARKET AS A REALITY

2. The first European Common Market regulated by supranational bodies has been reality for already eleven months for coal, iron ore and scrap, and for just over eight months for steel.

In a field somewhat limited in its scope, but of fundamental importance to the economic and social development of the six member countries of the European Community, the High Authority has assumed powers which, in the past, had always been a prerogative of national governments. The main restrictions on trade (custom duties, quotas, foreign currency regulations) and the main discriminations practised when establishing prices of products and transport conditions have been abolished. Trade has become considerably more intensive. The producers and the consumers have much more possibility of showing and exercising their initiative. Any abrupt shift in production and in prices has been prevented by the High Authority applying transitional and adaptation measures provided for in the Treaty. It has already become apparent — and the general economic slowdown in some countries during the last few months has been a real test of it — that a vast common market gives the producers a guarantee of stability by opening up new outlets. Without these outlets they would have been tempted in anticipation and fear of a depression to adapt themselves, as they did in the past, to the wavering demand by agreeing among themselves to limit production, instead

of lowering the actual selling prices. The result of the aforesaid is that consumers — particularly, consumers of steel — enjoy prices lower than those practised before the creation of the Common Market.

What has been eliminated by the creation of the common market

3. In actual fact, there were practically no *custom duties* on coal, iron ore and scrap, and custom duties on steel were, generally speaking, suspended, but France had increased the prices of some categories of imported coal in order to bring them up to the same level as home-produced coal.

These increases have been abolished for deliveries from any other country of the Community.

Quantitative restrictions were, on the other hand, numerous, both as regards imports and exports: almost all countries applied a system of issuing import and export permits for coal; France controlled and limited exports of iron ore; the Benelux countries maintained, in general, a system of import and export permits for steel; France prohibited, in principle, the imports of steel and controlled its export; finally, exports of iron and steel scrap were, with a few exceptions, forbidden in the six countries of the Community.

All these quantitative restrictions are now abolished.

The elimination of these obstacles to trade and the application of the non-discrimination rules of the Treaty resulted in the disappearance of *dual prices*. Before the creation of the common market France sold her iron ore to Belgium and Luxembourg for 1,300 francs per ton, and to the French plants for 854 francs. The export prices of German coal exceeded those on the home market by about 5 DM for black coal and by about 10 DM for brown coal; thick steel plate sold for 106 dollars to Germany was invoiced at

135 dollars to Italy. The home-market price of the Belgian thick steel plate was 94.50 dollars and its export price to the Netherlands 120 dollars. French steel was exported to Germany at prices comparable with those on the German home-market which were considerably higher than in France. Refunds to the enterprises were established in such a way as to be advantageous to the national producer and, as regards fiscal charges, some producers included in their export prices even those taxes from which they had the right to be exempted.

All these discriminations practised before the creation of the common market have now disappeared.

Numerous discriminations were practised also in the field of *transport*. They usually consisted in increases of export and import transport charges. For instance, transport of a ton of Lorraine iron ore from Sancy to Ougree cost 4 francs per kilometer, and from Sancy to Azincourt only 2.20 francs. Another example: to the transport of Saar-Lorraine coal a general tariff was applied in Germany instead of the more advantageous tariff established for the transport of German coal. The main discriminations of that kind have been abolished. The cost of transport of Lorraine ore from Sancy to Ougree has been decreased by 8 % and the cost of its transport from Sancy to Azincourt has been increased by 4 % in order to reduce the difference in rates which existed to the detriment of the Belgian metallurgy. The cost of transport of Saar-Lorraine coal from Reden (Saar) to Regensburg (Bavaria) — a distance of 491 kilometers — has been reduced from 37.6 DM per ton to 31.6 DM per ton, i.e. by 16 %.

All *foreign currency* restrictions have been abolished, and at present a ship-building yard in Saint-Nazaire wishing to buy thick steel plate in the Ruhr or an industrial enterprise in Munich which can obtain better prices in Lorraine or in the Saar obtains the necessary marks or francs without any limitations.

Finally, the governments themselves had established, often shortsightedly, numerous and complicated systems of subsidies to certain producers of perequations of prices and of special preferential treatment of certain consumers. The High Authority had to disentangle this network of measures the effects of which were very often conflicting from a supra-national point of view.

Some of these systems have been abolished, others attenuated and yet others temporarily maintained in order to avoid economic and social distortions :

— *the following has been abolished* : reductions of prices granted by the German collieries to the shipping companies (15 DM per ton), to electric power stations and to gas-works (5 DM) ; in the course of being abolished is the perequation introduced by the French Government on household coal in France ;

— *the following has been attenuated* : reductions of prices granted by the German collieries to the federal railways (4 DM instead of 5) and to the non-federal railways (5 DM instead of 15) ; the French Government's subsidy to the coastal briquetting plants has been reduced by 30 % ;

— *the following has been temporarily retained* : on the condition of non-discrimination as regards the origin of the products : in Germany—reduction of bunker-coal prices when purchases are made for inland water transport, and the system of transport of metallurgical products free of charge after the first 220 kilometers ; in Germany—reduction of prices of coal for household use and for high seas fisheries ; in France — subsidies to coal and coke producers and to importers of coke from other countries of the Community ; subsidies granted for the purpose of aligning the prices of Saar-Lorraine coal sold to Southern Germany with those practised in the Ruhr and in Aix-la-Chapelle ; and finally the perequation between the various French coal-basins.

All these arrangements have to be carefully reconsidered, and it is expected that to a large extent that work will be accomplished before March 31, 1954.

Decisions concerning prices and their effects

4. After the creation of the common market the High Authority, having duly consulted the Council of Ministers and the Consultative Committee worked out its price policy according to the market situation for the various products.

1) *As regards coal*, the difficulties experienced last February in supplying the Community with some categories of coal induced the High Authority to introduce a rather supple system of maximum prices which has already been somewhat adjusted and will be entirely reconsidered at the end of the current coal production year.

The amplitude of price-movements was limited.

The increase in the German coal prices which had been decided upon before the creation of the common market was considerable on the home market, but the consumer price of coke in Germany shows a declining tendency.

On the other hand, the abolishment of dual prices and of the 4 % tax formerly collected by the seller led to a decline in prices of German coal exported to other countries of the Community which compensated a slight rise in the prices of coal produced in those countries. The aforesaid particularly refers to France.

The Belgian prices have declined, both on the home-market and for exports to other countries of the Community, owing to the assistance rendered in the form of perequation payments in conformity with the "Convention containing the Transitional Provisions" which is published as an annex to the Treaty.

The Netherlands' export prices quoted to other countries of the Community have remained practically unchanged, while the home-market prices have been slightly put up.

In the Italian market prices of coal imported from the countries of the Community with the exception of anthracite, have slightly declined.

These changes in cost prices resulting from the creation of the Common Market are summarized — according to coal basins and countries of destination — in the following table :

Development of cost prices of coal

Country of destination	Coal basins				
	The Ruhr	Aix-la-Chapelle	France	Belgium	Netherlands
Germany	rise	rise	alignment with the rise in the Ruhr		—
France	<i>slight decline</i>	<i>decline except for anthracite</i>	<i>slight rise</i>	<i>decline</i>	<i>decline</i>
Belgium			—		—
Netherlands					almost no change
Italy		—	—		—

2) *As regards iron ore*, the High Authority decided to free the prices from control upon the creation of the Common Market. The abolishment of dual prices and the fact that the coal-mining enterprises had established their new prices at a slightly lower level than that of their former export prices led to a rise of prices in France — which, in fact, did not increase the costs of the French metallurgical plants, as the majority of them have their own ore mines — and to a slight decline of prices in the countries of the Com-

munity which import French iron ore. The recent 10 % decline in the prices of Swedish iron ore sold in Germany will probably lead to a decline in prices of French iron ore.

3) *As regards iron and steel scrap*, a system of zonal ceiling prices, combined with an appropriate organization and perequation of purchases outside the Community, was introduced last March and May after a short period of preparatory measures. Its application has, however, met with certain difficulties, and the High Authority who recently decided to prorogate the system up to March 31, 1954, intends to consider the question of its modification.

The ceiling prices fixed by the High Authority in March have been lowered by 3 dollars per ton on June 15 and will be reduced by further 3 dollars on January 15.

4) Finally, *as regards steel*, the High Authority decided to encourage freedom of competition, but to watch vigilently how producers and consumers will use that freedom of competition.

The price-schedules submitted by the producers after the creation of the Common Market show that, generally speaking, the average level of basis prices has remained approximately the same as before. In view of a rather wavering demand as from July, the German producers have lowered their scheduled prices by 5 %. The French producers have also lowered their prices of thin steel plate by 5 %.

So far as the surpluses or "extras" are concerned, i.e. additions made to the basis prices in function of the size and quality of the products to be sold, it appears that in the Community, as a whole, the contradictory changes in these "extras" did not perceptibly influence the basis prices described above.

Altogether, the result of the intensification of competition on the market of the Community is that the real

selling prices are at present in various degrees lower than the prices published by the enterprises upon the creation of the Common Market and stand even on a lower level than before the creation of that market (1).

During a period of lesser demand the existence of the Common Market has facilitated the mutual adaptation of production and prices. A number of metallurgical enterprises began to sell outside their traditional national market, while without the Common Market they would have slowed down their activities and limited their production in order to maintain their prices. The existence of the Common Market, on the contrary, enabled the producers to sell their products where there was a relatively higher demand and benefited the consumers by readjusting the real selling prices on a lower level. The existence of a vast common market thus gives the possibility of economic adaptation which is impossible in secluded national markets.

Intensification of trade

5. One of the most manifest and immediate effects of the creation of the common Market was the intensification of trade between the countries of the Community.

All countries and all products of the Community participate in that increase in the volume of trade.

COAL.

6. *Trade in black coal between the countries of the Community* (without counting trade between France and the Saar) during the first eleven months of 1953, as compared with

(1) See para. 13.

the corresponding period of 1952, has increased, in total, by about 3 million tons, i.e. by 20.4 %, viz.:

the first eleven months of 1953 : 17.477.000 tons

the first eleven months of 1952 : 14.520.000 tons

difference : + 2.957.000 tons

This intensification of trade is particularly remarkable because it took place during the period of weakening consumption of coal: deliveries to the main categories of consumers have decreased by approximately 7 % compared with 1952.

The total increase in black coal trade is distributed (in tons and in percentage of the total) between the countries as follows:

<i>Producing countries</i>		<i>Countries of destination</i>	
Germany	+ 1.041,000 35.2 %	Germany	+ 408,000 13.8 %
Belgium	+ 1.092,000 36.9 %	Belgium	+ 409,000 13.8 %
France and the Saar	+ 622,000 21.1 %	France and the Saar	+ 556,000 18.8 %
Netherlands	+ 202,000 6.8 %	Netherlands	+ 820,000 27.7 %
		Italy	+ 803,000 27.2 %
		Luxembourg	- 39,000 1.3 %
Total	+ 2.957,000 100 %	Total	+ 2.957,000 100 %

Germany has increased her exports of coal during the year by 1.041,000 tons, i.e. by 12.5 %, particularly to Italy (+ 364,000 tons, i.e. by 13.4 %) — which is her principal purchaser of coal after France and the Saar combined — to Belgium and to Luxembourg (+ 311,000 tons, i.e. by 80.6 %), to the Netherlands (+ 283,000, i.e. by 15.7 %). The exports of coal from Germany to France and the Saar are still the largest as expressed in the number of tons, but have increased only by 83,000 tons, i.e. by 2.4 %.

Belgium has increased her exports of coal by 1.092,000 tons, i.e. by 52 %, particularly to the Netherlands (+ 441,000 tons, i.e. by 97.6 %), to France (+ 429,000 tons, i.e. by 42.9 %), to Italy (+ 172,000 tons, i.e. by 29.6 %)

and even to Germany which was her smallest buyer of coal during the preceding years.

France and the Saar, taken together, have increased their exports of coal by 622,000 tons, i.e. by 15.2 %, particularly to Germany which remains their principal buyer of coal (+ 313,000 tons, i.e. by 8.7 %), to Italy (+ 267,000 tons, i.e. one and a half times more than in 1952); they have started their exports to the Netherlands.

Finally, the *Netherlands*, which had not been selling any of their coal on the foreign markets since the war, exported during the first eleven months of 1953 202,000 tons of coal, mainly to Belgium.

7. This increase in the volume of trade brought about a more economic distribution of products and a more rational organization of outlets. It enabled the principal coal producing countries to limit the accumulation of stocks at their pitheads and to maintain their production on a relatively high level. This particularly refers to Belgium where such results could be achieved only owing to the measures of solidarity provided for in the Treaty.

Finally, this intensification of trade within the Common Market has partly contributed to the decrease in imports of American coal which is to be paid for in dollars (6 million tons during the first eleven months of 1953, as compared with 15.5 million tons during the corresponding period of 1952, i.e. 61 % less).

Exports from the Community to third countries are higher than they were in 1952 (5.3 million tons in 1953 against 4 million tons in 1952).

IRON ORE.

8. *The creation of the Common Market for iron ore brought about an immediate development of trade in this sector.* Exports rose from 959,000 tons in January and February to nearly

1,100,000 tons per month in March-July. After July they slowed down just as well as consumption itself, but in a smaller proportion.

The largest increase in exports was from France, particularly to Belgium and Luxembourg: 7,4 million tons to these two countries during the first ten months of 1953 against 7.1 million tons in 1952 i.e. an increase of 4.2 %. This rise in deliveries made it possible for the French ore mines to increase their production by 13 % while the consumption of iron ore by the French and Saar metallurgical plants decreased by 9 %.

SCRAP.

9. *Imports of scrap by the countries of the Community from other countries of the Community also increased considerably upon the creation of the Common Market: they were 35,000 tons per month in January and February and 58,200 tons per month, on the average, in March-September.*

During the first ten months of 1953 the total imports of scrap amounted to over 600,000 tons against about 360,000 tons during the corresponding period of 1952.

It was principally Italy who could benefit from the improvement of supplies and thus reduce imports from third countries; at present the higher cost of this scrap, whose prices exceed those within the Community is borne in common.

STEEL

10. Trade in metallurgical products between the countries of the Community was not very intense during the first months after the creation of the Common Market. Certain obstacles — such as the maintenance in Germany up to September 15 of global tariffs for transports after the first

220 kms of the distance — hindered the Lorraine and the Saar plants, for example, temporarily from developing their sales to Southern Germany. On the other hand, the steel market remains unsatisfactory owing to the deeply set habits which neither the producers and their organizations nor the consumers are inclined to abandon.

That situation shows, however, some signs of improvement. Exports from countries of the Community to other countries of the Community in October amounted to 287,000 tons as compared with 230,000 tons per month, on the average, during the first four months after the creation of the Common Market, and with 237,000 tons per month, on the average, in 1952.

Germany exported to the other countries of the Community about 30,000 tons per month in May and June, 41,500 tons in July, 48,000 tons in August, 49,000 tons in September, and 62,000 tons in October, as compared with 25,000 tons per month, on the average, in 1952.

France and the *Saar*, taken together, having decreased their exports during the first months of 1953, exported 51,000 tons in August, 62,000 tons in September, and 76,500 tons in October, as compared with 40,000 tons per month in 1952. While they imported practically no steel in 1952, their imports of it rose from 9 to 10 thousand tons in July and August to 16,500 tons in September and to 18,900 tons in October.

Belgium and *Luxembourg* somewhat decreased their exports to the other countries of the Community owing to the general slowdown of demand.

Italy has maintained her imports approximately on the same level as in 1952.

The *Netherlands* have increased their trade in steel with the other countries of the Community, both as regards exports and imports.

That development of trade within the common market, despite all the obstacles which continue to exist, is apparent also from the new orders placed with the Community's plants: in November 17 % of the orders placed with them for rolled steel products, i.e. for 305,000 tons, were for export to countries other than the country of production; in October, the corresponding orders amounted only to 269,000 tons (15 %) and in September to 228,000 tons (14 %).

In Germany and in France which, taken together, are the largest producers of steel within the Community, the competition begins to be felt.

While in 1952 German plants sold only about 200 tons of iron and steel products per month in the French market, orders received by them from French consumers during the three months from September to November, 1953, averaged 5,000 tons per month.

On the other hand, steel-plants in France and in the Saar which sold to Germany in 1952 only 18,700 tons per month, received during the three months from September to November, 1953, new orders from Germany averaging 50,000 tons per month.

Trade between France, on the one hand, and Belgium and Luxembourg, on the other, has increased as well: steel plants of the latter two countries sold last year to France only about 970 tons of steel products per month, while the orders received by them from France in September-November 1953, average 5,700 tons per month; as regards French steel-plants, they exported in 1952 only about 1,700 tons per month to Belgium and received during September-November, 1953, new orders from that market averaging 4,000 tons per month.

11. That development of trade and competition on the Common Market has influenced the real selling prices and played an important part in the working out of new plans by the producers who, having had to work, until the creation

of the Common Market, in restricted and protected markets, had often been more anxious to safeguard their position than to seek more economic condition of production.

The common market is a growing reality

12. The tasks set forth in the Treaty by which the European Coal and Steel Community was created cannot, of course, be fulfilled in a few months. Nor can it be expected that the Common Market should function quite faultlessly from the very beginning. In view of that a five years' transition period of adaptation is provided for in the Treaty and the High Authority has set consecutive stages of its work. But it is essential not to lose sight of the aims to be attained.

The High Authority fully realises that very much is yet to be done in order that the Common Market, as a whole, should function, without any restrictions of competition, as if all the six countries of the Community were one entity.

As regards *coal*, for instance, various arrangements existing in the countries of the Community for the purpose of avoiding the unfavourable effects of an excessively rapid evolution of production, prices, employment and trade in each country have been maintained. These arrangements will be reconsidered before March 31, 1954, with the view of finding out whether they could be abolished. In addition to that, there are considerable differences between the conditions under which the distribution of products between the individual countries of the Community and within each of them takes place. In a more or less supple form, centralized purchasing and selling organizations have under their control practically all the supplies and all the production of each country; bilateral agreements between countries are actually concluded by these organizations.

The market of *iron and steel scrap* does not function yet as a real Common Market in view of various obstacles

which still exist and, particularly, as a result of administrative restrictions which have not yet been abolished by certain national governments.

As regards *steel*, purchases of it by one country of the Community from another are still burdened with administrative formalities involving certain additional expenses from which purchases on the home-market are free. Comparisons between the price-schedules of various enterprises are still difficult and the schedules themselves have been maintained unchanged although the actual selling prices have substantially declined in various degrees according to the country and to the products. The elimination of cartels in the coal and steel industries must help to counteract any influence which is incompatible with the functioning of the Common Market on the basis of free competition : if custom duties and quotas have been abolished, if the question of eliminating administrative obstacles to trade is being considered, it is certainly inadmissible that instead of these restrictions new ones should appear as a result of agreements between enterprises concerning the distribution of markets among them ; if the fixing of steel prices by governments has been abolished it is certainly not admissible that it should be substituted by the fixing of prices as a result of agreements between producers.

Finally, as regards *transport*, the activities which have been begun must be proceeded with, the last discriminations must be eliminated, and the further work in the field of transport must be accomplished by stages and within time-limits set in the Treaty or, if possible, still more rapidly.

RULES CONCERNING NON-DISCRIMINATION AND THE PUBLICATION OF PRICE SCHEDULES.

13. In the present conditions of the iron and steel industry's production rules concerning non-discrimination and the publication of price schedules are of great importance not

only to the consumers and to the national economy of the Community's Member States, but also to the iron and steel industry itself. It is equally important that the price schedules should contain real selling prices and that the rules of non-discrimination should not impede commercial negotiations between buyers and sellers.

Since the creation of the Common Market the price schedules of the enterprises have remained entirely unchanged in spite of the fact that the actual selling prices have substantially declined in various degrees according to the country and to the products. Therefore, contrary to the respective provisions of the Treaty, the prices and terms of sale published in the schedules did not correspond any longer to the real selling prices and terms of sale on the Common Market.

After due consultations with the interested parties, the Consultative Committee and the Council of Ministers, the High Authority made efforts to find a solution of the problem — a solution which would not be merely theoretical, but real and fundamental.

First of all the High Authority had to work out rules for the readjustment of price schedules and to fix the time limits within which this readjustment was to take place. According to the decisions now in effect, the prices published in the schedules must exactly correspond to the real selling prices. Therefore, during a period of instability of prices on the market, it would be, in theory, necessary to change the schedules continually, so that they would show every change in the real selling prices, however small it may be. The interested parties, as well as the Consultative Committee and the Council of Ministers, agreed that it is desirable to introduce a certain flexibility in the rules concerning the publication of price schedules.

The High Authority considers it expedient to allow the enterprises to have, in the framework of a system the application of which must be simple, a certain margin within which they could adapt themselves to the real conditions of

the market without being obliged to change their price schedules immediately. It is understood, of course, that the aforesaid does not affect the rules of non-discrimination in any way.

The nature and the established limit of such margin will determine not only the extent to which the prices published in the schedules and the real selling prices may differ, but also the exact moment when the readjustment of the price schedules becomes compulsory and will, moreover, facilitate control measures. Needless to say that random checks of prices which, at the same time, make sure that non-discrimination rules complied with by the enterprises are indispensable and constitute an integral part of the proposed system.

While making the rules concerning price schedules more flexible, it is necessary to shorten the time which must expire before changes in the schedules come into effect. At present this time is five days which is too long a period as it prevents a quick reaction to market fluctuations.

AGREEMENTS AND CONCENTRATIONS.

14. In May 1953, the High Authority decided that the existing organizations in charge of the distribution of iron and steel scrap and of the perequation of its prices in the different national markets should be liquidated and that the national regulations interfering with the freedom of trade in that product should be abolished at that time.

The High Authority has published its decision taken in accordance with the prohibitions specified in article 65 of the Treaty, and has made inquiries about the existing agreements and organizations.

Moreover, it put into effect a procedure for the authorization of agreements concerning the specialization of production and joint purchases and sales ; applications for

such authorization submitted to the High Authority by some 60 organizations, associations and enterprises are being considered by it.

Finally, the High Authority has considered complaints about monopolistic practices received from a number of consumers and distributors. In particular, consumers and distributors in Southern Germany complained about certain practices of that nature. The High Authority made an official recommendation to the combine accused of such practices and the latter has promised to comply with that recommendation.

15. The High Authority has submitted to the Council of Ministers drafts of three regulations concerning concentrations which, according to the Treaty, are to be put into effect.

The first of these regulations contains provisions defining the criteria which constitute control of an enterprise. The objective of the second regulation is to define the cases in which a submission of an application for prior authorization is not required with the view of relieving the High Authority of the necessity to consider operations which obviously cannot impede normal competition within the Common Market. In the third of these regulations a definition of those persons and enterprises is given, who in spite of the fact that they do not come under the jurisdiction of the Community, have to inform the High Authority of any important control they acquire over enterprises of the coal and steel industries. In some cases exemption from the requirement of prior authorization is granted in order to facilitate the regrouping of enterprises so that production units will be able to develop on a scale securing satisfactory conditions of technical operation. Moreover, when considering the applications for authorization submitted to it the High Authority will facilitate the regrouping of enterprises leading to the specialization of their production.

Concentrations to be considered inadmissible according to the provisions of the Treaty, are those which give the power to restrict competition in a substantial part of the Common Market and to acquire a privileged position. Such concentrations must be fought against in the following two ways : refusal to authorise the formation of new concentrations of that type ; authorization of units the production of which is on a high technical level and which are in a position, therefore, to compete successfully with vast combines devoid of unity in their composition and of efficiency in their exploitation.

16. When considering these problems, the High Authority could not remain indifferent to the formation of a combine for the purpose of fixing export prices for steel which, by that very fact alone, covered nearly 20 % of the total metallurgical production within the Community.

The High Authority has considered the ways and means by which it can intervene.

After having discussed the problem with the interested producers, the High Authority has entered into consultations with the Consultative Committee and with the Council of Ministers as to whether it should fix maximum and minimum export prices itself and, if so, as to the levels on which such prices should be fixed.

TRANSPORT.

17. The establishment of the Common Market on the basis of free competition, resulting in the most rational distribution of production on the highest level of productivity and having for its purpose to bring down prices to the lowest possible level, requires the elimination of discriminations in transport rates and a gradual harmonisation of transport conditions.

The work in that domain, as in some other domains, is to be carried out, according to the Treaty, by several stages.

First of all, discriminations in transport rates and conditions of any kind whether they are in favour of the country of origin or destination of the products in question, must be abolished, that has been practically accomplished. The most obvious discriminations were abolished upon the creation of the Common Market for coal in February, 1953, and a number of other discriminations of a less flagrant nature and concerning certain German, Belgian, French, Italian and Luxembourg railway tariffs have been abolished since July, 1953. The Belgian navigation premiums have been modified in such a way that shipments of all the member States of the Community between Belgian sea-ports and regions of the Rhine are now treated on terms of complete equality. Other problems, such as disparity between national and international freights, non-publication of inland water-transport freights, roadtransport in lorries etc., are being considered.

The work of the second and the third stages, for the accomplishment of which a time-limit of two years is fixed in the Convention containing Transitional Provisions, has already been started :

- the High Authority — anxious to make as soon as possible a substantial contribution to the decrease of transport charges and, thus, to the decrease of prices of raw materials (coal, iron ore, scrap) and of steel by the establishment of direct international tariffs without splitting them on the frontiers — requested the Committee of Transport Experts to convene a working party of specialists in tariffs and instruct it to work out and propose measures to be taken for the establishment of such direct international tariffs ;
- in order to accomplish this preparatory work the Committee of Experts decided furthermore to form another

working party of specialists for the purpose of studying the question of standardization of those terms which are, generally used in tariffs and conditions concerning the transport of products of the Community, by rail and by waterways. Such a standardized terminology will serve also as a basis for more detailed and exact statistical information about the traffic within the Common Market.

* * *

18. The Common Market, continually developing and improving, must, in order to assist in the fulfilment of long-term tasks assigned to the Community by the Treaty, incite the enterprises to the development and improvement, — especially by way of investments, of their potentialities of production, so that it could satisfy, by a regular expansion of production and of sales, the growing demand on the part of the consumers.

As regards such evolution, the existence of the Community is of utmost importance considering its credit, the long-term general policy, which it may impose on all member States in common interest and its own dynamism.

CHAPTER II

INVESTMENTS AND THEIR FINANCING

19. It has been one of the main preoccupations of the High Authority, right from the beginning, to establish the credit rating of the Community in order to mobilize resources which would enable it to contribute to the financing of capital investments of the enterprises.

Primarily in order to prepare itself to the carrying out of its tasks in that field the High Authority imposed, early in 1953, a levy on the coal and steel production. The largest part of the funds thus received is destined to serve as a base for financial commitments which the High Authority will have to undertake in the interests of the enterprises. The funds received by means of the levy are, therefore, far from being immobilized. On the contrary, they will enable the industry of the Community to have at its disposal much larger financial means than the amounts of which it has been deprived by the payment of that levy, and it was just for that reason that the High Authority introduced a progressive rate for the levy. Since July 1 its rate has been 0.9 %.

The High Authority intends to capitalize the regular revenue resulting from the levy by means of loans. It has not sought and will not seek to obtain donations or subsidies. The High Authority considers that the European Community, like any other reliable borrower, is in a position to sustain the financial burden connected with the loans it will be granted.

The correctness of that policy has already been confirmed in practice. It is the growing credit of the High Authority that has opened up new possibilities as a result of the exchange of letter last month between the U. S. President Eisenhower and the chairmen of the Congress of Foreign Affairs Committees of which the Common Assembly was immediately informed. According to a communiqué issued by the White House on December 23, 1953, President Eisenhower reaffirmed his hope that the United States would find it possible to help the European Coal and Steel Community by way of a loan to modernize its equipment and to develop its natural resources.

The High Authority has completed its preparatory work which will enable it to submit to the United States Government a concrete proposal concerning the realization of the wishes expressed in the letters and the communiqué referred to above. It is on the basis of its credit, and not on the basis of any special program, that the High Authority will conduct these negotiations.

20. While endeavouring to establish and to utilize its credit the High Authority, at the same time, began to study the methods and starting points for its activities in the field of investments. It has had several consultations in these matters with the commissions of the Common Assembly and gave explanations to the Assembly itself in January and June, 1953.

Two aspects of these activities are particularly important.

First of all, *the intervention of the High Authority must necessarily be limited*: the requirements of the coal-mining and metallurgical industries as to investments are very large and any funds at the disposal of the High Authority, however substantial they may be, represent only a fraction of the total amount required by those industries for investment; moreover, as it is set forth in the Treaty, the intervention

of the High Authority must be of complementary nature intended to *facilitate* the realization of investments by granting loans to enterprises or by guaranteeing loans obtained by them elsewhere. The High Authority must establish priorities and act in accordance with them.

Secondly, *the High Authority has not to work out any rigid investment programs*, but has to define periodically general objectives with respect to modernization, the long-term orientation of manufacturing and the expansion of productive capacity, to study individual programs of enterprises in order to promote a co-ordinated development of investments, and to facilitate the carrying out of these programs. In view of that, the High Authority does not intend to work out a preliminary distribution of its financial assistance on the basis of any program or plan and, especially, on any national basis.

The Common Market has been established and must be developed without any restriction or free competition. It is up to the enterprises of the Community themselves to take their responsibilities and to show their initiative, in accordance with the provisions and the spirit of the Treaty, as regards the attainment of the objectives to be periodically defined. The High Authority will consider every program and every application submitted to it and it will do its best to help to fulfil those plans which most efficiently contribute to the development of the productive capacity of the enterprises and enable them to compete in the expanding market.

But in order to make it possible for the enterprises and the High Authority to play successfully their respective parts it is essential that the general objectives of the Community should be discussed from all points of view and they should be really *common* objectives.

The High Authority is going to submit to the Consultative Committee a report on these general objectives a brief survey of which is given hereunder.

Considerations concerning general objectives

21. When defining general objectives the High Authority must, first of all, take into consideration prospects of consumption of steel and of its repercussions on the demand for coal.

But the universal use of coal and steel, which includes even the requirements of individual consumers, makes it imperative to investigate into the development of the demand for coal and steel in the framework of the general economic policy of the Community and even of third countries.

The sales of the coal and steel industries depend to a large extent on the situation and development of the manufacturing industries, on means of transport, on agriculture, i. e. on all the sectors which enter into the competence and the direct influence of the national governments. They also depend on the demographic evolution in the member States and on the general economic policy of their governments. On the other hand, the coal and steel policy and the investments into these basic industries have some repercussions on the development of other sectors of national economy which contribute to the supply of materials and equipment by the coal and steel industries, or use their products for manufacturing purposes.

In view of the aforesaid, it is indispensable to co-ordinate the general objectives of the Community with the objectives of the economic prospects of the national governments.

It was just in that spirit that the Council of Ministers of the Community adopted at its session of October 12—13, 1953, the following resolution, after the President of the High Authority had reminded the Council that the real objective of the European Community and the very reason for the Common Market was to introduce a new dynamism into the economic life of the member States, to facilitate a continually increasing integration of their national economies and to restore economic development of Europe.

1) Desirous to ensure a continuous development of the Community the expansion of national economy of its member countries and the raising of the standard of living in them, the six governments resolve to reconsider immediately, in consultation with the High Authority, their policy of economic expansion and investments with the view of regulating or influencing general consumption, particularly in so far as the public services are concerned, and in order to co-ordinate this general development with the programs of the High Authority.

2) They resolve to hold the next session of the Council as soon as possible in order that the High Authority should be able to inform the governments of the general coal and steel policy it intends to follow and of the particular actions it considers important for the carrying out of the investment programs of the six countries and of the High Authority and for enabling the Community to make the greatest possible contribution to the economic development of its member States.

3) They also resolve to study and to watch the economic situation regularly and in consultation with the High Authority.

That resolution of the Council is in full accord with the wishes of the Community expressed by the Common Assembly which, in its resolution of June 23, 1953, (1) particularly insisted on the following :

“that the High Authority should contribute to the co-ordination of the economic, financial, currency and credit policies with the view of a gradual realization of economic integration ;

“that, in particular, the High Authority should use for that purpose the possibility given to it in the Treaty to establish a collaboration with the governments in order to regulate or influence general consumption, particularly in so far as the public services are concerned.”

“The first steps in that direction have already been made by the High Authority and by the Council : a joint commission of experts designated by the six governments and the High Authority has been formed in order to work out technical details of the co-operation, with the view of influencing the consumption of coal and steel.

22. *On the other hand, extensive investment programs for the development of production have been established in third countries.* Despite a temporary fall in the demand on coal and steel, these programs continue to be carried out at practically the same rate.

(1) *Official Gazette*, No. 10, July 21, 1953, pages 56 and 57.

Thus, the Soviet Union and the other countries in the East of Europe, where the consumption of steel per head is still lower than within the Community, are increasing their production by approximately six million tons per year so that it should reach 73 million tons in 1957. The United Kingdom increased its production of steel by 2 million tons during 1953 and will undoubtedly attain the objective of 21 million tons, set forth for 1957/1958, much sooner. Even the United States, where the consumption of steel per head is approximately four times as high as within the Community, intend to increase their production still further during the next years to come.

When setting up general objectives it is necessary to take the growing world production of steel into consideration from the following three points of view: the Community must at least keep the place which its resources, its industrial equipment and its labour force have enabled it to occupy for a long time already; it must be able to satisfy the expanding requirements of its growing population and to have recourse to its less developed regions; finally it must be able to compete successfully with foreign industries and with substitute products.

23. *The technical progress changes — continually and in different ways — the conditions of using coal and steel as well as the relationship between prices of products, the substitution of which is possible: the competition between sources of energy, for example, and the improvement of the output of industrial thermic installations may diminish the consumption of coal; plastic products and non-ferrous metals may compete with steel; on the other hand, some new methods of utilization of coal and steel may develop very considerably.*

In view of that, the general objectives must be set forth with due consideration of expected technical and economic evolution and must be established not only in terms of productions, but also in terms of productivity and costs.

24. *Finally, the integration of the six national markets of the Community's countries into one Common Market will eventually lead to changes in the structure of production. These changes will be gradual — and the Treaty contains detailed provisions concerning the necessary adaptations — but they are absolutely necessary for any progress.*

Within the various national markets which were, as such, narrow and restricted, industries were developing uneconomically, enterprises could exist with production capacity under the optimum level on which competitive costs would be possible, high output was often penalized, and extra-marginal production has been decisive when establishing the prices.

In the free market the establishment of which the Community has begun, the active competition based on economic factors and on the opening of new outlets of each enterprise will make it necessary for the industries to lower their costs by modernizing their installations and by specializing their production. With the development of the Common Market the lowering of costs becomes a condition of receiving profits.

The accelerated rate of economic activity on that widened market will incite the enterprises to increase their production; the economic units will either be reorganized or be replaced by units having an optimum size.

The general objectives must be sufficiently supple to serve as a framework and orientation to the initiative of the enterprises without pretending however to substitute another responsibility for that which must be their own in the market based on free competition.

Prospects for the next few years

25. *The necessity of the European industry's participation in the world's economic development makes the increase in the production of steel and probably of coal indispensable. On the*

other hand, in view of the delay in the economic development of Europe as a result of two wars during the last forty years and in view of the extent of the requirements to be satisfied, it is probable that general production and, particularly, industrial production will continue to increase in the course of the coming years. Therefore, the basic industries must be in a position to answer the demand on the part of their clients; it is necessary to avoid another scarcity as it has already manifested itself in 1951 and in 1952 when the level of general production was relatively low.

It must be pointed out, however, that the first period of intensive expansion of the metallurgical industry within the Community after the war is coming to an end; with the exception of the investment programs which are being carried out, a further substantial expansion of high furnaces and of steel mills is hardly probable in the near future, especially as the continuation of the programs of reconstruction, of modernization and of enlargement which have already been started, or planned, will lead to a certain increase in production. From the quantitative point of view the metallurgical industry will be able to satisfy the increased demand when the existing programs are carried out.

As regards the capacity of the mines, the investment programs are maintained within carefully worked out limits. Yet, the general industrial rise was considerably more handicapped during the last few years by the scarcity of coal — particularly, of coking coal — than by the scarcity of steel. Supplementary programs for coal-mining equipment are, thus, becoming urgent. If the coal markets showed some signs of weakness during the last eighteen months, it was mainly the result of circumstances of a temporary nature and, therefore, any long-term conclusions cannot be drawn from it. A slight increase in the demand could easily provoke a new scarcity of coal in Europe — particularly, of the most required kinds of it — and the necessity of a drastic increase in imports of American coal, the consequence of which would be a rapid

rise of its prices on delivery owing to the fact that their freight is easily influenced by economic fluctuations. That is why the Coal Committee of the United Nations' Economic Commission for Europe has recently expressed a definite view that the development of productive capacities of the coal mines was of the utmost importance to Europe.

26. Whether it is the coal industry or the steel industry, *the strengthening of competition of any kind — of the competition of third countries, of other sources of energy, or of products by which steel can be substituted — and the consequences of the creation of the Common Market increase the importance of efforts to attain a higher productivity and a reduction of costs* as compared with efforts to expand the production capacities. Besides, it is one of the duties of the Community to seek the establishment of the lowest possible prices (article 3 of the Treaty), and to assist by financing investments, in the lowering of costs (article 54 of the Treaty).

27. The lowering of costs is only one of the aspects of the High Authority's preoccupations concerning the definition of the general objectives.

The investments into such heavy industries as the metallurgical and, particularly, the coal mining industry give results only after a considerable time: the installation of a high furnace requires from two to four years, and the digging of a coal mine requires from five to ten years at least. The length of that time varies very much according to the circumstances, i. e. whether the work is started on the basis of existing installations or not. On the other hand, the Common Market has shown, so far, only its first effects, and the transition period, provided for in the Treaty, will end only in the beginning of 1958.

In view of the aforesaid, *the High Authority intends to make its first effort only for the period of 1954—1957 and to concentrate its activities on the operations from which it can be expected that essential results will be attained during those*

four years. That period is long enough to enable the enterprises to present coherent programs and, at the same time, it is sufficiently short to maintain these projects in the framework of reality.

General objectives of the steel industry

28. The countries of the Community produced 41.8 million tons of steel in 1952 and about 40 million tons in 1953. Taking as a basis the rate of production during the best quarters of the year in each country, the total production capacity within the Community may be assumed to be practically 44 million tons per year.

The Committee of experts which was formed for the purpose of studying, under the chairmanship of Professor Tinbergen, the long-term prospects of the coal and steel markets started their investigations on the basis of a number of hypotheses as, for instance, the evolution of the working population, the degree of employment, the number of working hours, the increase in productivity per hour and the economic development of third countries. In their report they came to the conclusion that during the next four or five years a production of about 50 million tons per year should satisfy the expected requirements. The inquiries made by the High Authority in 1953 about the investments already started or planned by the metallurgical enterprises within the Community confirm that the producers themselves envisage a production capacity of about 50 million tons per year for the time when the present projects have been brought to an end.

Considering that the same results were obtained by two bodies working independently from each other and applying quite different methods, the expectation that the production will amount to 50 million tons per year during the next four or five years is not unduly optimistic.

The meaning of that figure must be made quite clear. The real production will inevitably fluctuate because it depends not only on the home market consumption — which, in its turn, depends on the general economic policy of the member States — but also on the level of the net exports which are expected to amount to 8—10 million tons (against 5,5—6 million tons in 1952 and 1953 respectively). But it is undeniable that the economic expansion cannot take place if there is a scarcity of steel. The production capacity is not rigid and there is no rigid relation between it and the actual production. An approximate value of 10 % for the estimated requirements does not leave any serious doubts as to the investments to be made. The production capacity may slightly exceed the demand to be satisfied and it is possible that only from 90 % to 95 % of it will be actually used, that even with a still lower actual production, for instance, with a production of 80—85 % of the capacity, the unit costs may be lower — due to modernization — than with the existing installations.

29. The envisaged increase in the steel production capacity will require practically no construction of quite new installations. In fact, any program of modernization entails an increase in production capacity, because the utilization of modernized equipment gives much better results than the equipment it replaces (high furnaces, rolling mills, etc.).

Therefore, the general objectives of steel production must mainly consist *in the attainment of a higher productivity and in the lowering of the cost of raw materials.*

30. For the attainment of a higher productivity efforts must be made in the following directions:

— *modernization* i. e. replacement of out of date installations by powerful modern installations, the operation of which gives economy in labour as well as in the consumption of fuel and raw materials and makes it possible to improve the quality of products ;

- *co-ordination* i. e. elimination of bottle-necks all through the process of production, from its lowest stage — pig iron to its highest stage — finished products ;
- *rationalization of production and specialization of plants* ; in the new framework of the Common Market this entails concentration of orders, simplification of specializations, and limitation of the ranges of products of each individual plant or enterprise.

These efforts must be made not according to some rigid plan, but after having duly taken into account the existing installations of each individual plant, its position in the Common Market and the ability of its managers to adapt themselves to the new possibilities opened to them by the very existence of the Community.

31. As regards the improvement in the supply of raw materials and the lowering of their prices, an important part is played by *iron ore*, the cost of which represents at present about 25 % of the cost of pig iron.

As that supply becomes more and more difficult, the rich iron ore basins of the Community must increase their production in order to satisfy the demand. On the other hand, the demand will be all the greater as it is estimated that the increase in the production of scrap will not keep pace with it.

The anticipated increase in the production of steel would necessitate an increase in the present production of iron ore (which was about 62 million tons in 1952 and in 1953) by 16 or 17 million tons, i. e. by 25 %. That increase does not surpass considerably the volume of production expected as a result of the investments being made.

The very fact the metallurgical works will be receiving substantially increased supplies of iron ore from the Community will lower the average price, considering that the price on delivery of imported iron ore is very high. In addition

to that, the continued modernization and, particularly, mechanization of the iron ore mines will bring about a lowering of the prices of iron ore.

32. Another element of great importance to the production of steel is *coke* the cost of which represents about one third of the cost of pig iron.

The anticipated increase in production of steel would necessitate, taking into account the economy resulting from the operation of modern installations, an increase of the present production of coke (62 million tons in 1952 and 1953) by about 10 million tons, i. e. by 16 %, and an increase of the present production of coking coal by 15 million tons.

The attainment of such a considerable increase in the production of coking coal and of coke, followed by an adequate lowering of their prices, is closely linked up with the definition of the general objectives for coal industry.

General objectives for coal

33. The problems of the coal industry are very different from those of the steel industry.

First of all, the natural conditions and the human labour conditions play a much more important part in the coal industry. A choice of a place of production is impossible, and only the relative development of such and such coal mine or of such and such coal basin can be decided upon. The seams of coal are a given fact and cannot be improved. The majority of coal layers within the Community are very deep under the ground and of an irregular structure. Their exploitation is, therefore, difficult. It requires a constant working of the installations, as otherwise they would become quite unusable. The production requires a very large number of workers whose cost represents about two thirds of the total costs.

Furthermore in the coal industry investments give practical results only after a very long time and, therefore, the investors find themselves in a paradoxical situation: their investment plans necessarily cover a very long period while the demand for coal is rather uncertain because of the development of other sources of energy, such as hydro-electricity, natural gas and oil products.

The general line of activity in regard to the coal industry cannot be defined without complicated studies and without basing one's decision not only on economic considerations, but, to a certain extent, also on political considerations. That is a problem which, so far, has not been solved satisfactorily in any country. The problem with which the Community is faced, is no less complicated, but it is different from the problems in each of its member States, taken together.

34. The collieries within the Community produced in 1952 and in 1953 a little less than 240 million tons of coal. Taking into account the imports and the changes in the stocks at the mines, the demand for coal within the Community, including exports from it, amounted to about 256 million tons in 1952 and to about 247 million tons in 1953.

According to the opinion expressed by the Commission of Experts, presided over by Professor Tinbergen and assuming that the steel production will be about 50 million tons, the requirements of the Community in coal should amount to 275—285 million tons per year.

It is obvious that this increase in requirements cannot be entirely covered by additional imports because the third countries nearest to the Community would hardly have sufficient coal available for export and a very substantial increase of imports from the United States would again raise the prices on delivery to the high level of the last years. But the limitation of imports can be successfully achieved only by an increased production capable of standing against

the foreign competition, and not by setting up artificial barriers. The objective of the Community is not the maintenance and development of coal production at any price, but the best possible utilization of its resources with the view of making coal an economic source of energy.

That objective must be, in its essence, threefold :

- the conditions of coal supply within the Community must be such as to facilitate the competition of all of its Member states, particularly in so far as the metallurgical industry is concerned, with third countries ;
- coal produced within the Community must under normal circumstances successfully compete with the imported coal ;
- coal produced within the Community must successfully compete with other sources of energy.

35. Current investments in the collieries of the Community are expected to increase coal production by a maximum of 25 million tons by the end of the next four years. Such increase would be more or less sufficient to satisfy the expected requirements.

But taking into account the competition of the collieries of third countries and of the producers of other kinds of energy, on the one hand and the relatively high level of prices of coal produced within the Community since the war as compared with the general level of coal prices, on the other hand, the main efforts must be concentrated on the attainment of a higher productivity.

The medium-term objectives of the coal industry must be, therefore, as follows :

- *concentration of coal production* in order to diminish the number of pits and to utilize the existing mines more intensively, even if this requires their modification ;
- *development of the electrification and mechanization of underground installation* in order to increase the output per

- shift and to improve the working conditions of the miners ;
- *concentration and mechanization of surface installations* (coal-washing, transports, etc.) ;
 - *completion of coal-mines already in operation* in so far as a substantial increase in their production within the next four or five years can be expected from this measure ;
 - *extension and modernization of coke ovens* in order to lower costs, to increase the productive capacity and to improve the quality of coke ;
 - *extension and modernization of collieries' power plants* in order to economise marketable coal and to increase the utilization of low quality coal which form a considerable part of the stocks in certain districts.

36. Some investments are being made also into the lignite industry of which only the briquette-manufacturing plants come under the jurisdiction of the Community. During the last few years there was frequently a shortage of household coal which is mostly lean coal (particularly anthracite) and lignite-briquettes. The production of briquettes and the corresponding extraction of lignite requires substantial investments in order to maintain the productive capacity even on the present level.

General objectives concerning the housing of workers

37. The coal-mines within the Community employ, at present, approximately 1,100,000 workers, more than 650,000 of whom are working underground, while the metallurgical industry employs only 700,000 workers. This is why the housing problems of the coal-miners are particularly acute and influence directly the development of production and of productivity. The housing conditions of about 10 % of the miners are very poor, and some 60,000 of their dwellings must be replaced by new ones. In addition to that, it is

necessary to build 40,000 new houses near the coal-mines which are to develop their production.

Neither the productivity nor the production of the collieries can be brought to their highest level, no matter what investments are made into their equipment, unless the necessary labour is available at the right place and time and unless the working conditions of the miners are satisfactory (1). This shows how serious the housing problem is, which must be solved every time when any investment of a purely technical nature is planned.

One of the objectives of the Community is to promote and to supervise investments of a technical nature, i. e. for modernization and equipment purposes, and the building of workers' houses which become necessary in connection with such investments.

Financing of investments

38. For the attainment of the general objectives, an outline of which is given above, *it is necessary to continually maintain the investments on a sufficiently high level.* If the majority of enterprises are now in a position to finance their current repairs and renovations out of their own resources, it is to be expected that before long these resources of their own will become insufficient for new investments. Besides various other factors, restored free competition on the Common Market will compel the enterprises to reduce their margins of profit to a minimum and to let the consumers have a large part of the benefits resulting from the increased productivity. The continuous necessity of investments makes it indispensable to find another and more stable source of financing the investments than the current revenue the level of which unavoidably fluctuates.

(1) See also paras. 50 and 51 in this report.

The enterprises within the Community cannot get much help from the general capital market. The first investigation made among the collieries has shown that during 1952 and 1953, only about 7 % of gross investment could be financed by the issue of shares or obligations, and that the largest part of the funds necessary for this kind of investment was yielded by two loans obtained by the collieries of one of the Community's countries only.

In view of the scarcity of funds available on the capital market the terms of the loans are too unfavourable to the borrowers to ensure economical financing investment projects which necessarily involve long periods of amortisation.

The enterprises have tried to solve the problem of the insufficiency of their own resources and of the scarcity of the funds available on the capital market by obtaining short-term loans from the banks. But the renewal of such loans is always dubious, just because they are short-term loans and the charges involved are so high (up to 10 % per year in some cases) that the burden of them becomes in a short time unbearable.

Part of the financing of investments had to be provided by governments in the way of loans out of different funds such as budgetary means, counter-part funds of the U. S. aid, resources transferred by fiscal methods from one sector of the industry to another, etc. These methods of financing are hazardous, as such, and the realization of the necessary investments in all the Countries of the Community would prove a failure in the next few years if the Community did not use its own credit to make a contribution to the financial means made available through the enterprises' own resources, the national capital markets or the governments themselves.

39. The intervention of the High Authority can, as it has already been mentioned, only be limited and must,

therefore, take into account the degree of priority and of urgency in each case. It will consist, first of all, *in supplying the metallurgical industry with sufficient raw materials (coking coal, coke and iron ore) at low prices.*

To this end the High Authority will study the investments which the enterprises intend to make and to the realization of which the High Authority wishes to contribute in cases of urgency. Such investments can be subdivided into the following categories :

1. — Modernization of coal production, and, particularly, of production of coking coal, with the view of increasing the production of coking coal by 20—22 million tons per year and of raising the average underground output of coal in all mines within the Community from 1,400 kilograms to at least 1,500 kilograms per shift.

2. — Building of houses for miners and lowering the cost of building by encouraging a continuous carrying out of large-scale programs under the best possible economic conditions.

3. — Modernization and erection of thermic power-stations on the mines which could use coal of low quality.

4. — Increase of the production capacity of coking plants by 9—10 million tons per year ; utilization for the production of metallurgical coke of certain sorts of coal which were formerly considered as unsuitable for coking ; lowering of production costs.

5. — Modernization of iron ore mines, increase of their production capacity from 62 to 80 million tons per year and improvement of the technical treatment of iron ore.

40. During this first phase of its activities the High Authority hopes to make a considerable financial contribution to the enterprises of the Community and thus to help them to derive from the Common Market the greatest possible advantages as regards the lowering of costs and of selling prices, which will be to the benefit of 160 million consumers within the Community.

CHAPTER III

LIVING CONDITIONS OF THE WORKERS

41. The improvement of the quality of production to the benefit of 160 million consumers within the Community is not the only task of the High Authority. It has, at the same time, to watch the working and living conditions of 1,800,000 workers of collieries, iron-ore mines and metallurgical plants.

In that respect there are no correlated "social" and "economic" provisions in the Treaty. There is the Community with its institutions, there is the Common Market in which the producers have to face competition governed by rules common to all. It is the Community, as a whole, that has economic and social aspects insolubly linked up in its objectives and activities. The workers take part in all consultations ; they express their views before any decision is taken ; their aspirations must guide the determination of objectives to be attained and the choice of methods to be applied, just as much as those of the consumers from whom they can be distinguished only artificially.

42. In the framework of its general activities tending to make the Common Market a reality and to define an investment policy, the High Authority has concentrated its attention, in so far as the living and working conditions of the workers are concerned, on the following problems : readaptation of labour, free movement of labour within the Common Market, building of houses for workers.

Readaptation

43. The employment situation within the Common Market is subject to disturbances due to two groups of factors — the economic trend, on the one hand, and structural changes of enterprises caused by the reappearance or intensification of competition as a result of the establishment of the Common Market, or by technical progress, on the other hand.

44. It should be noted that the Common Market was established in a period of decreasing demand for coal and steel due to a certain recession of economic activities more or less accentuated in different countries. This situation brought about partial unemployment, especially during the summer months, above all in some French and Belgian coal districts.

This development is in no way the result of the creation of the Common Market. It is entirely due to the stagnation or recession of general economic activities in those countries of the Community where the unemployment referred to above was registered.

General indices of industrial production

with the exception of the building trade

(first half-year of 1952 = 100) (1)

	Belgium	France	The other countries of the Community taken together
1952			
January—June	100	100	100
3rd Quarter	93	87	101
4th Quarter	103	98	112
1953			
1st Quarter	96	96	105
2nd Quarter	100	97	110
3rd Quarter	97	83	111
October	102	92	119
November	103	93	124,5

(1) Derived from the index calculated by the Statistical Division of the High Authority in collaboration with the statistical services of the member countries on the basis of 100 in 1949.

Far from provoking any unemployment in the collieries within the Community, the creation of the Common Market, substantially contributed to the limitation of the after-effects of the decline in the economic activities in Belgium and France.

As it has already been pointed out (in the section of this report in which the Common Market as it exists is described) *Belgium's net exports of coal to the other countries of the Community during the first eleven months of 1953 were by about 600,000 tons, i. e. by 35 %, higher than during the first eleven months of 1952.* Furthermore Belgium increased her coal exports to third countries and slightly reduced her coal imports, so that her net imports decreased by 472,000 tons, i. e. by about 50 %. *Altogether, that country exported during the first eleven months of 1953 from all sources to all destinations one million tons of coal more than in 1952.*

France (without the Saar), on her part, increased, during the same period, her net imports of coal from other regions of the Community (including imports from the Saar) only by about 350,000 tons, i. e. by 6 %. At the same time, she very substantially reduced her imports from third countries and increased her exports so that her net imports diminished by 3.7 million tons, i. e. by more than 80 %. Altogether, France imported during the first eleven months of 1953 3.4 million tons of coal less than in 1952.

45. The recession of economic activities which manifested itself in 1952/1953 was accompanied in some countries of the Community, particularly in their metallurgical enterprises, by considerable structural changes.

In France several combinations of enterprises have been formed in the iron and steel industry while the gradual development of the use of the second continuous rolling mill was making the position of small mills, most of which are inadequately equipped or unfavourably situated, more and more precarious. As regards collieries, the continually growing

concentration of coal-mining in the Lorraine district and in the eastern part of the Nord-Pas-de-Calais district, on the one hand, and the growing competition of fuel oil, on the other hand, was making the marketing of the Provence coal more difficult.

In Italy the effects of the putting of new installations into work also begun to be felt from June, 1953.

In neither of these cases has the establishment of the Common Market played a direct or principal part. All it could do was to contribute to the modifications of the producers' position and prospects in respect of the evolution which is actually taking place or has been expected for several years.

In France the Commission on modernization of the metallurgical industry, consisting of producers, workers and members of the administration, has foreseen since 1946 the necessity of the amalgamating certain plants and of liquidating or reorganizing other plants as soon as the continuous rolling mills begin to function. Neither does the commission on modernization of collieries ignore the problems connected with the long-term evolution of coal-mining and the marketing of its products.

In Italy the recent discharges of workers seem to be due to the rationalization of the metallurgical industry which started as early as 1948. According to the information available, about 6.500 workers have been released already or may be released in the future, and the total number of workers in the Italian metallurgical industry has decreased by about 12.000 between 1948 and 1952, i. e. by 13 %, while the production of that industry increased by more than two thirds. On the other hand, imports of metallurgical products into Italy from other countries of the Community have not increased since the establishment of the Common Market: they amounted to 25,900 tons per month, on the average, from May to August, 1953, against 26,100 tons per month in 1952, while imports from third countries show a slight increase (23.500 tons against 19.800 tons).

46. As far as readaptation of labour is concerned, the High Authority is, according to the provisions of the Treaty, entitled to intervene only if the decrease in employment is the result of the establishment of the Common Market or of the introduction of new technical methods or equipment in conformity with the general objectives of the High Authority and even then only at the request of the interested government which must preliminarily agree to contribute at least as much as the High Authority.

Up to now, only three applications for assistance in the readaptation of labour have been submitted to the High Authority. In one of these cases — which concerned only 150 workers — the High Authority could not accede to the request of the interested government because, according to the Treaty, the unemployment payments effected by that government cannot be considered as a special contribution. The other two applications are under consideration by the High Authority.

In addition to that, the High Authority is investigating, at the request of the respective trade union, the employment situation in the French collieries and in the Italian metallurgical industry.

Finally, the High Authority is engaged in an overall survey of concrete possibilities to intervene in the problems of readaptation on the basis of the legislation of its member States and the measures already taken by them.

But in order that the activities of the High Authority in this field should be really efficient imperative it must be informed of each case in advance. Consequently, it is necessary to work out medium-term and long-term forecasts concerning the employment situation, and to ensure a better co-ordination of the activities of public authorities, on the one hand, and of enterprises or their associations, on the other hand. The High Authority will continue its activities with regard to the above mentioned problems, but it is now

already in a position to intervene according to the provisions of the Treaty, in response to applications submitted to it.

Free movement of labour

47. For the attainment of the most rational distribution of production within the Common Market it is necessary that the coal and steel workers should be able to move from regions of low industrial activity to regions of high activity without any restrictions or discriminations. At present, however, the workers meet with many obstacles when seeking to move to another country and, in addition to that, risk to lose some of the most important advantages provided for in the social security regulations. On the other hand, the lack of housing prevents many migrant workers from bringing their families to the new place of their work.

48. The working party which was formed in March, 1953, for the purpose of preparing the implementation of article 69 of the Treaty concerning the free movement of qualified coal and steel workers, completed its work in November.

The High Authority, having considered the report submitted to it by that working party, accepted the conclusions stated therein and established the sequence in which they are to be implemented.

In establishing that sequence the High Authority decided to draw a distinction between the measures which have to be taken for the immediate implementation of article 69 of the Treaty, on the one hand, and the improvements which will permit to eliminate certain obstacles to the movement of labour but are not a necessary preliminary condition of it, on the other hand.

A. Measures to be taken for a rapid implementation of article 69 :

a) Definition of the groups of workers to whose benefit the employment restrictions are to be suppressed.

b) Determination of the limitations which are imposed by the needs of health and public order.

The High Authority will propose that by the regulations concerning health and public order should be understood during the initial period those which are actually in force in the member States. That will make it possible to implement article 69 immediately. Any modifications of these regulations could be agreed upon by the member States later on the basis of practical experience.

c) Introduction of a worker's card.

The card must be uniform within the Community, printed in its four languages and valid for both industries. The member States should undertake to deliver such cards to their citizens under the conditions stated in the report.

B. Improvements which would eliminate further obstacles to the free movement of labour (agreements on social security matters, a uniform definition of the needs of health and public order, etc.) and additions to the list of specialities for which the minimum period of employment is not to be required, will be considered later on.

49. The High Authority wrote on December 2, 1953, to the governments of the six Member states suggesting that an intergovernmental conference be set up consisting of their representatives and of those of the High Authority for the purpose of working out measures to be taken for rendering the free movement of coal and steel workers effective as soon as possible.

A small working party has a meeting on December 16, in order to exchange views on the terms of reference and the rules of procedure of that conference.

Houses for workers

50. As it has already been mentioned in the sections of this report dealing with the general objectives of investments and with the problem of financing investments, the housing policy is an integral part of the economic policy of the High Authority (1).

The houses in the vicinity of the mines are in many cases few and of moderate quality ; a large number of miners cannot be accommodated in them with their families and some of them are housed in barracks the hygienic conditions of which are such as to affect their moral, to increase absenteeism and to decrease the productivity of their work. The housing of the workers too far from the mines necessitates long journeys which, in some cases, take five hours a day. These journeys result in unnecessary tiredness of the workers and in considerable direct expenses of the enterprises (up to one dollar per ton of coal in some districts) which could otherwise be saved and the money spent more usefully.

In consequence of the unsatisfactory housing conditions, many workers, particularly the young ones, leave their jobs which impedes the increase of productivity and hinders the formation of a new generation of skilled miners in sufficient numbers to make up for the loss of those workers who attain the normal age of retirement.

Finally, the housing shortage reflects unfavourable on the flexibility which is indispensable in the coal industry in order to cope with variations in demand, and diminishes the mobility of labour which is necessary in the Common Market in order to make it possible for the workers to be employed in the economically expanding regions.

51. As soon as the prospects of the financing of investments materialize, the High Authority will energetically direct its activity towards contributing to the financing of the enterprises' programs while observing the order of

(1) See No. 37

urgency in accordance with the principal economic and social objectives of the Community.

In the meantime, the High Authority seeks to stimulate the initiative of building houses for workers the realization of which it could facilitate, in case of necessity, by methods now at its disposal, i. e. by guaranteeing the repayment of loans obtained.

* * *

52. Such are the three main problems on the solution of which the High Authority concentrated its activities in this field during the past year. At the same time, it has begun, in collaboration with workers' unions, associations of enterprises and experts designated by governments, the preparations for its activities in the following fields: security of workers against accidents and occupational diseases, on the one hand, and labour conditions in the widest sense of this notion, on the other hand.

These two problems are of a great importance to the improvement of the general conditions of the workers. The High Authority will develop its activities in these fields in the course of 1954.