

EUROPEAN COAL AND STEEL COMMUNITY
THE HIGH AUTHORITY

Third

GENERAL REPORT

on the

Activities of the Community

(12th APRIL 1954 TO 10th APRIL 1955)

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10 APRIL 1955

CHAPTER 1

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

Mr. President,

In accordance with Article 17 of the Treaty establishing the European Coal and Steel Community, we have the honour to submit the Third General Report of the High Authority on the activities of the Community and its administrative expenditure. The latter, as well as the budget estimates and reports provided for by Article 78 of the Treaty, are set out in separate documents.

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

Luxembourg, April 10, 1955.

Jean MONNET
President
FRANZ ETZEL
Vice-President
Albert COPPÉ
2nd Vice-President
Léon DAUM
Paul FINET
ENZO GIACCHERO
Heinz POTTHOFF
Dirk SPIERENBURG
Albert WEHRER



THIRD GENERAL REPORT



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INTRODUCTION

1. In the following pages, the High Authority presents its third General Report on the activities of the Community. On the basis of this report, the representatives of the peoples of Belgium, France, Germany, Italy, Luxembourg and the Netherlands are to state their views at the May 1955 Ordinary Session of the Common Assembly; that is to say, the Assembly will, as in previous years, exercise the sovereign parliamentary prerogatives conferred upon it by the Treaty.

2. The mission of the European Coal and Steel Community is to *contribute to the expansion of the economy, the development of employment and the improvement of the standard of living*, through the creation, in harmony with the general economy of the member States, of a Common Market.

For the progressive and orderly establishment of conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity — that is, the best production at the best price for the consumer — the Treaty establishing the Community has laid down a *transitional period of five years*. This period, which is due to expire on February 10, 1958, is to *ensure the progressive adaptation of production to the new conditions which will obtain, while facilitating the removal of the disequilibria which resulted from the old conditions*.

3. The first Report, published in April 1953, dealt with the launching of the institutions of the Community, and with the first decisions concerning the Common Market for coal,

iron ore, scrap and steel, which had begun to be introduced some weeks previously ⁽¹⁾.

The second Report provided a balance-sheet of the first results obtained during the running-in period of the institutions and the Common Market, a time which was marked, apart from the difficulties natural to any trial period, by uncertainty in the general economic situation all over the world ⁽²⁾.

This Report deals with the first period of what may be termed the "normal" operation of the Common Market and of the institutions which direct it. This epithet does not imply that all the requisite adjustments have been completed, or that all the disequilibria resulting from former conditions have disappeared. It means that *between April 1954 and April 1955, at a time when the economic situation was showing a very definite tendency to expansion, further important milestones were passed in the introduction and development of the Common Market, while at the same time the institutions of the Community became firmly established as living realities.*

4. On August 1, 1954, with the introduction of the Common Market for special steels, the process was completed whereby all the products coming under the Community's jurisdiction came on to the Common Market.

After the elimination of the most obvious impediments to trade (quotas, customs duties, currency restrictions, dual pricing, etc.) which had been going on since 1953, further action was taken to improve the conditions under which the Common Market is functioning. Various subsidies or other government measures were reduced or abolished in respect of coal in France and the Netherlands. The Belgian compensation scheme was reviewed. The governments agreed to do away with a

⁽¹⁾ *General Report on the Activities of the Community* (August 10, 1952 - April 12, 1953) and *Special Report on the Establishment of the Common Market for Steel*, published May 8, 1953.

⁽²⁾ *Second General Report* (April 13, 1953 - April 11, 1954).

number of impediments and to simplify various administrative formalities which were still hampering trade.

In transport, where most of the discriminations proper had already been abolished, the governments agreed, within the time-limit fixed by the Treaty, upon the steps by which international railway through-rates are to be introduced between May 1, 1955, and May 1, 1957.

Action in regard to the centralized organizations for selling and buying coal was continued.

5. *Each separate measure taken in connection with the introduction of the Common Market was prepared and carried out in such a way as to avoid, as far as possible, any serious disturbance in the economies of the member States, and in particular any unfavourable repercussion on the level of employment.* Where it seemed justified, extra time was allowed or temporary measures were authorized.

Wherever the High Authority was properly approached, by the governments concerned, with requests for assistance in respect of the readaptation of workers, it took the necessary action. This was done for the French collieries in the Cévennes, and for the French iron and steel industry in the Loire area; in principle, it was also decided to take action on behalf of the Belgian mines of the Borinage coal-field, and of the Italian iron and steel industry.

6. In regard to the general objectives and long-term expansion, the High Authority has started to work out the broad outlines of the coal policy it proposes to follow.

During the last few months, the first loan of \$ 100 m. contracted in April 1954 with the American Government was appropriated for the financing of definite investment projects, thus opening up new opportunities for the enterprises. At the same time, the High Authority announced the general principles of its financial policy, and settled the guarantees offered to its future lenders.

7. Finally, in order to help improve living and working conditions for the 1,400,000 workers in the coal and steel industries, the Community initiated three further measures : assistance in housing construction ; application of the provisions in the Treaty enabling workers to compete for employment in any country of the Community without discrimination ; co-ordination of research on industrial safety, labour medicine and occupational training.

8. In proportion as these stages were completed and the Common Market, in the course of its development, began to demonstrate the advantages it represents for the producers, users and consumers of all six countries, the institutions of the Community gained in stability.

The agreement signed in December 1954 between the United Kingdom and the Community is very definitely a proof of the reality of the Common Market and the vitality of its institutions. At the same time, it demonstrates the Community's firm intention not to become a closed, self-contained unit.

Within its powers as defined, the High Authority, on being required to deal with a problem, first submits it to numerous consultations or discussions with the Council of Ministers, the Consultative Committee and the parliamentary committees, and thereupon takes the decisions dictated by the general interests of the Community and all the obligations undertaken towards countries outside the Community. Its decisions are complied with. Any sanctions it imposes are effective. In the event of a decision's being contested, the judgment of the Court of Justice is final.

Step by step, from the High Authority's own operations, from the contacts maintained with all those taking part in those operations, from the debates which take place regularly in the Assembly, and from the jurisprudence started by the Court, there is being built up a wealth of concrete experience which makes it impossible to go back and easier to go forward into the future.

CHAPTER ONE

THE INSTITUTIONS OF THE COMMUNITY

9. It is only by the existence and development of common institutions that full advantage can be derived from a large market, and that relations between peoples hitherto divided can be radically transformed. The institutions of the Community are daily proving how effective they are in fulfilling the functions delegated to them by the Treaty.

10. The High Authority, which is a collegiate executive body, has drawn up its rules of procedure in the light of experience gained. On November 5, 1954, it published, firstly, its rules of procedure proper (convocation, quorum, agenda, deliberations, etc.), and secondly, its general organizational regulations (administration of the services, preparation and implementation of deliberations, deputization for the President and delegation of his powers) (1). One important provision in these latter regulations was the establishment of working-parties, of not more than four Members, to prepare the deliberations of the High Authority relating to their particular sectors, in co-operation with the administrative departments. There are at present seven such working-parties, dealing respectively with: Market; Agreements and Transport; Investments; Finance and Production; Labour Problems, External Relations; General Objectives; Long-term Policy and Development of the General Economic Situation; Administrative Affairs; Press and Information.

(1) See *Official Gazette of the Community*, November 24, 1954.

11. As is generally known, M. Jean Monnet, President of the High Authority informed the governments of the member States, by his letter of November 10, 1954, that he would not stand for re-election on February 10, 1955, but would resign his office as a Member of the High Authority. The terms of office of the two Vice-Presidents of the High Authority were due to expire on the same date. Since the governments were unable to arrive at any decision before February 10 concerning the appointment of a President and Vice-Presidents and of one new Member, the High Authority deemed it incumbent under the Treaty upon the retiring President and Vice-Presidents to remain in office, for the sake of ensuring the continuity of the institutions, until steps had been taken to replace them. A letter to this effect was addressed to the governments of the six member States on February 8.

12. The High Authority has still further increased its contacts, both in Luxembourg and in the various areas of the Community, with all those whose co-operation is essential to the development of the Common Market : — coal and steel producers, consumers and dealers, trade unions, outside experts, and so on.

It has carried its relations with its Consultative Committee farther than the actual consultations required under the Treaty. The membership of the Committee was duly renewed by the Council of Ministers on the expiry of its two-year term, in January 1955.

Early in 1954, the High Authority requested the Committee to study a number of specific problems, including the valorization of coal by the construction of pithead power-stations, competition by oil products, supplies of iron ore for the Community, scope for stepping up steel consumption, building of worker's houses, harmonization in the improvement of living and working conditions. All these problems were studied in detail by special commissions of the Committee, and

their findings submitted to the High Authority for use in the preparation of its operations in the fields concerned.

It was further agreed that the High Authority should periodically make verbal reports to the Consultative Committee so as to make it possible to line up the particular points referred for its attention with the larger framework of problems affecting the Community as a whole. The first of these reports was made on March 11, 1955.

13. The Special Council of Ministers met nine times between May 1954 and April 1955. Most of these sessions were attended by the Ministers for economic and industrial affairs, although some were attended by the Ministers of transport and labour.

At these sessions, the Council was consulted by the High Authority particularly in regard to rules on concentrations, to the introduction of the Common Market for special steels, and to the further decisions to be taken concerning the coal and scrap markets. Discussions were also held between the Council and the High Authority concerning the High Authority's financial policy, the development of the general economic situation, and the application of the provisions in the Treaty regarding the powers of the member States.

On December 8, 1954, the decision permitting freedom of movement for workers was taken by the representatives of the member States meeting in Council. On January 20, 1955, within the prescribed time-limit, the resolution concerning the introduction of railway through-rates with effect from May 1, 1955, was duly adopted.

Finally, the Council was required to give the High Authority its instructions, as joint representative of the member States for negotiations with third countries, regarding economic and commercial relations generally. These instruc-

tions were concerned chiefly with negotiations on special steels and with the agreement to be concluded with the United Kingdom.

14. Relations between the High Authority and the Common Assembly have been undergoing continual development.

All members of the Assembly are informed each month of the activities of the High Authority. The parliamentary committees have frequent meetings with the High Authority : between May 1, 1954, and April 10, 1955, i. e. over a period of eleven months, there were 34 committee meetings and more will be held during April to prepare the forthcoming Ordinary Session. In addition, eleven members of the Investments Committee went on a fact-finding mission to Turin and Sulcis, from January 24 to 27, to study the problems of the Italian coal and steel industries on the spot.

The Assembly has met twice : an Ordinary Session was held from May 11 to 21, 1954, and, at the request of the High Authority, an Extraordinary Session from November 29 to December 2. The latter was convened mainly for the purpose of examining the High Authority's policy in regard to agreements and concentrations, the development of the Community's external relations, and the possibilities of extending the jurisdiction of the Community and the powers of the Assembly. At this session, M. Giuseppe Pella was elected President of the Common Assembly by general acclamation, in succession to the late Premier Alcide de Gasperi, who died on August 17, 1954.

A further Extraordinary Session, which was to deal principally with investments, transport and labour problems, had been arranged for the end of February. It was, however, postponed until early in May, and will, therefore, be held a few days before the 1955 Ordinary Session.

15. The functions of the Court of Justice, as sovereign judge in matters regarding the interpretation and implementation of the Treaty, have likewise continued to develop.

Complaints were lodged by the French Government, the Italian Government and two associations of enterprises in Italy against three High Authority decisions concerning the publication of price-schedules for steel. The Court on December 20, 1954, annulled Article 1 of Decision No. 2/54 and by judgments delivered on February 11, 1955, upheld the complains by the two Italian associations ⁽¹⁾. A complaint was also lodged by the Netherlands Government petitioning for the annulment of three High Authority decisions of March 20, 1954, concerning the fixing of maximum prices for coal from the Ruhr and Nord/Pas-de-Calais coalfields. By a judgment delivered on March 21, 1955, the Court dismissed this complaint.

Seven further cases are under examination. Four complaints have been lodged by two organizations of manufacturers in Luxembourg against the High Authority's refusal to abolish the compensation scheme set up with the object of lowering the price of household coal by means of a levy on fuels purchased by industry. A fifth is by the Luxembourg Government against a High Authority decision stating that the organization for the importation of coal is incompatible with the provisions of the Treaty, and setting a time-limit for its abolition or modification. Another is a request by an association of enterprises in Italy for interpretation of the judgment delivered on December 20 on the petition of the Italian Government. The seventh is concerned with a dispute between a former official of the Common Assembly and the Assembly Bureau.

(1) See *Official Gazette of the Community*, January 11, January 14 and March 1, 1955.



CHAPTER TWO

EXTERNAL RELATIONS OF THE COMMUNITY

16. The European Coal and Steel Community is an open-to-all community. From its earliest days, it has set out to develop its relations with the countries which do not belong to the Community, and to co-operate with the international organizations. The most important result of its endeavours has been the conclusion, in 1954, of an agreement with the United Kingdom.

Association with the United Kingdom

17. The Association Agreement with the United Kingdom, which was signed in London on December 21, 1954, is the outcome of a long series of discussions and negotiations beginning as long ago as August 1952, directly after the High Authority had assumed its duties, when the latter and the British Government expressed their joint intention of establishing an intimate and enduring association.

The agreement is intended to take the relations between the United Kingdom and the Community a step further. To this end, provision has been made to ensure regular contact in two ways, namely through a *Standing Council of Association*, consisting of four representatives of the High Authority and four of the United Kingdom Government, and by *special meetings of the Council of Ministers of the Community with the United Kingdom Government, in which the High Authority will fully partic-*

ipate. At these special meetings, the British Government will be represented by one of its members, together with persons discharging public responsibilities in regard to coal and steel.

The object of the Standing Council of Association is to provide a means for continuous consultation in regard to matters of common interest concerning coal and steel, and, where appropriate, to the co-ordination of such action as is consistent with the international obligations of the contracting parties. The Council of Association has in particular been charged to examine restrictions and other factors affecting the normal flow of trade in coal and steel between the two markets, with a view to working out proposals for their reduction or elimination.

The special meetings between the Council of Ministers and the British Government are to deal with matters in which the Council of Ministers and/or the governments of the member States participate in the implimentation of the Treaty, and which are also of interest to the United Kingdom. They may be convened whenever necessary at the request of any member government, or of the British Government, or of the High Authority, and held at a place designated by agreement between the Council of Ministers, the British Government and the High Authority, the latter to participate fully in these meetings. Such meetings are not be used for the purpose of conducting negotiations which the High Authority is empowered to conduct as joint representatives of the six member States. All matters to be considered at these special meetings have to be referred for prior examination to the Council of Association.

18. The agreement signed with Great Britain opens up new possibilities in three main directions.

First of all, exchange of information is particularly valuable in industries with such an unstable market as steel, and such an uncertain future as coal. It is of considerable

advantage to be able, by means of a general picture of the development of the market, the general trends of development, and the position of third markets, to compare the prospects of two economic areas covering almost the entire coal and steel production of Western Europe and the major part of the international steel trade. The exchange of information and the consultations are to deal in particular with pricing arrangements and factors affecting the structure of prices, including subsidies, and with general objectives of development, technical research, and arrangements for the promotion of the safety, health and welfare of the workers.

Furthermore, the United Kingdom has agreed to discuss the conditions of trade in coal and steel with the countries of the Community, and in particular, to examine with them the factors which may affect this trade, such as quantitative restrictions on imports and exports, Custom tariffs, exchange control restrictions, dumping and anti-dumping measures, with a view to making proposals for their reduction or elimination. The first such examination is to be undertaken in time to enable the member governments, when reviewing their tariff policy within the transitional period provided for in the Treaty, to take into account any proposals put forward by the Council of Association.

Thirdly, one particular feature of the agreement is that no further restrictions upon trade in coal and steel between the two contracting parties can be introduced, in the event either of a crisis or of a shortage, without prior consultation of the Council of Association.

In fulfilling its function, the Council of Association is under obligation to have regard to the interest of third countries. It has to present an agreed annual report to the High Authority and the British Government, which must be published.

19. The new relations henceforward obtaining between the Community and the United Kingdom are based on

complete reciprocity. That is the fundamental principle of the agreement. Where measures contemplated by the Community may be discussed either in the Council of Association or in the special meetings of the Council of Ministers, measures contemplated by the British Government will be discussed there too.

In a joint communiqué issued at the time of signing this agreement, the contracting parties expressed their conviction that these new provisions would help to promote *a constantly growing association* between the United Kingdom and the Community, which would, they hoped, contribute to their prosperity and to the advancement of European unity.

20. The Association Agreement was adopted by the House of Commons on February 21, 1955, without a division. It was approved by both sides of the House.

All that remains, therefore, before the Community and the United Kingdom can launch upon this most beneficial collaboration is for the parliaments of those member States where such a procedure is necessary to ratify this Agreement.

Relations with other countries

21. The co-operation which has from the very beginning existed with the delegations from third countries accredited to the High Authority has continued to develop satisfactorily. Yet another country, this time from the Far East — Japan, interests in iron and steel are well known — has appointed a delegation to represent it with the High Authority. On October 20, 1954, the Japanese Ambassador in Brussels, who had been designated as head of the Japanese mission to the High Authority, presented his letters of credence.

UNITED STATES

22. Relations with the United States of America continued cordial. Two points in connection with these relations are of special significance.

The loan agreement concluded with the United States in April, 1954 included a provision to the effect that the contracting parties were to examine the possibilities for establishing a separate portfolio to serve as a common guarantee for all lenders to the High Authority. In the event of such an arrangement being set up, the loan agreement was to be amended to record that the United States had agreed to the introduction of a system putting it on the same footing as subsequent lenders to the Community. The High Authority succeeded in working out the legal form required. The loan agreement was thereupon duly amended, and an agreement incorporating the amendments signed on December 18, 1954.

The American Government also complied with a request by the High Authority for the financing of a study tour of the United States planned by European trades-unionists, as part of the technical assistance programme. Upon the American Government's agreeing to this scheme, a first group of trades-unionists from the Community toured the United States in November and December, 1954, and brought back much interesting information in regard to problems of industrial reconversion, occupational retraining and economic expansion. A report is to be published in due course.

AUSTRIA

23. The Austrian Government having expressed its desire to enter into negotiations with the Community in connection with special steels, these negotiations, which fall under Section 14 of the Convention containing the Transitional Provisions, opened in Luxembourg in June, 1954.

The Community proposed reductions in tariffs, possibly in conjunction with tariff quotas at reduced rates on the traditional exports of Austrian special steels.

In return, Austria was asked to refrain, in the revision of its tariff, from applying a higher rate of protective duties on special steels than that current in the Community, and to endeavour to liberalize these products as soon as possible. It was further deemed necessary to obtain certain undertakings in respect of prices, with a view to avoiding possible disturbances in the Common Market.

Agreement has not as yet been reached on this basis.

DENMARK

24. Relations with Denmark, a traditional importer of Community products, have been characterized since the last report to the Assembly by a number of discussions, both bilateral and before various international organizations, regarding conditions in the export of steel to Denmark.

Denmark showed concern over three questions, viz. the Brussels steel export agreement, the level of export prices, and possible rebates by Community producers on their scheduled prices for deliveries of steel to processors and exporters in member countries.

In regard to the Brussels agreement, the Danish contention was that it hindered the freedom of international trade and tended to keep steel prices artificially high, which was counter to the obligations undertaken by the High Authority to encourage the development of international trade and safeguard the interests of third countries.

In regard to the level of export prices, Denmark insisted that there had been, and still was, a substantial discrepancy between those prices and the prices charged inside the Common Market.

In regard to rebates on indirect exports, the Danish representatives held the view that these fell within the category of measures for artificially assisting exports in which the member countries of O.E.E.C. had undertaken not to extend any further.

On the first point, the High Authority pointed out, that it was studying the situation with great care in order to ascertain whether the outcome of the Brussels agreement was, in fact, counter to the Community's undertaking to ensure that equitable limits are observed in prices charged in foreign markets, but that this undertaking had hitherto always been respected.

Further — and this answered the second question raised by Denmark — at a discussion held in Luxembourg in February, 1955 between Danish experts and High Authority, the latter produced figures, which it had carefully assembled and checked, proving that the export prices of the Community were being kept within equitable limits. As a result of this meeting, Denmark, though still maintaining certain reservations regarding the High Authority's

figures, decided not to bring up the memorandum on the movements of Community steel export prices which it had asked to have examined for discussion at the ninth session of G.A.T.T.

With reference to rebates on indirect exports, the High Authority pointed out that it had not so far taken any decision, but that the matter was receiving attention. It added that, quite apart from the question whether such debates were possible or not under the Treaty, they did not, in any event, constitute subsidies, but represented a perfectly normal commercial practice such as might be found in any producer country.

Co-operation with international organizations

COUNCIL OF EUROPE

25. The second joint meeting of members of the Common Assembly and members of the Council of Europe, at which the Second General Report of the High Authority was examined, was held on May 20, 1954, in Strasbourg. The Consultative Assembly thereupon adopted an opinion expressing its views on the High Authority's report. This was supplemented, in September, by a resolution concerning the external relations of the Community, and transmitted to the Committee of Ministers of the Council of Europe.

The reply of the Committee of Ministers, which was forwarded to the High Authority on October 26, 1954, expressed the desire to obtain from the High Authority a number of details concerning the commercial policy and relations of the Community in regard to third countries. It was further suggested that these matters might be raised at a joint meeting of the Committee of Ministers and the High Authority. The President of the High Authority had himself proposed, in 1952, that such joint meetings should be held. The first meeting of this kind took place in Paris on January 15, 1955. On that occasion M. Monnet stressed the High Authority's constant endeavours to establish the closest possible bonds between the Community and the third countries. He further emphasized that, in recognition of the basic principle of full reciprocity, the High Authority, while perfectly prepared to answer any questions asked of it, reserved the right, at any rate in respect of a

future meeting, to put questions to the Committee of Ministers. The High Authority was able to give a number of explanations on matters directly concerning third countries. At the end of the meeting, M. Monnet stressed that the Community was willing to accept as a member any country which agreed to abide by the common rules.

It should also be noted that meetings were held regularly in the course of the year between representatives of the High Authority and the secretariat of the Council of Europe, which provided opportunities for useful exchanges of opinions and information. In the cultural field, the High Authority co-operated with the Council of Europe by agreeing to award fellowships for research into the problems of European integration. It awarded two such fellowships for 1954, and will offer four in 1955.

ORGANIZATION FOR EUROPEAN ECONOMIC CO-OPERATION

26. The procedure for co-operation, which was worked out in 1953 continues to yield satisfactory results. High Authority observers have attended numerous meetings of the Council and Executive Committee, as well as of various technical committees.

Meetings between representatives of the six countries were held before the plenary sessions of the coal and steel committees. The object of these meetings is to discuss the agenda with the experts who have been invited to sit in at the plenary sessions of the committees, in order to harmonize the standpoints of the delegates of the member States of the Community.

As soon as the High Authority was in a position to forward to O.E.E.C. its estimates in respect of coal and steel, it began to submit its quarterly forecasts on coal to O.E.E.C. on behalf of the six member countries, starting with the second quarter of 1954. The High Authority also furnishes the statistics required by the steel committee. A system for forwarding replies to the questionnaires on the annual figures for raw-material consumption in the manufacture of pig-iron and steel has been worked out by the High Authority, in agreement with the heads of delegations to the steel committee.

GENERAL AGREEMENT ON TARIFFS AND TRADE (G.A.T.T.)

27. In connection with the examination of the Second Annual Report on the measures taken by the member States of the Community for the implementation of the Treaty, confrontations and exchanges of views took place between the Community and the Contracting Parties to G.A.T.T., which it is worth while bringing to the attention of the Common Assembly.

While the Report of the Contracting Parties on the Second Annual Report of the member States recognizes that the measures introduced by the latter were in conformity with the decision of November 10, 1952, which granted the member States a waiver from the most-favoured-nation clause, it nevertheless reflects the general apprehensions, and occasionally even criticisms, expressed by certain of the Contracting Parties in regard to the Community, throughout the discussions, lasting more than six weeks, of a working-party consisting of representatives of third countries and the member States as well as High Authority observers.

When the First Annual Report was under study, the question as to the interpretation of the waiver had not yet been raised, and the High Authority and the member States, anxious to co-operate, freely answered questions, particularly in connection with cartels and export prices, which strictly speaking, were outside the Community's obligations to G.A.T.T.

This year, however, questions concerning cartels and prices were much more numerous and more awkward. Although the point of the interpretation of the waiver was not discussed from the legal point of view, certain third countries clearly intimated that by granting the waiver, they considered they had a right to supervise all undertakings entered into by the member States or the High Authority under the Treaty. The delegates of the Community expressed themselves as alarmed by such an interpretation, and pointed out that, for their part, they regarded the waiver as carrying two kinds of obligation — those under the Treaty, as specified in the waiver, which are supervised by the Common Assembly, and those entered into with the contracting parties to G.A.T.T. They added that various assurances had been given to the Contracting Parties, including the undertaking to provide it with information on the activities of the Community, but that it was definitely understood that such

information was not always suitable for discussion before the Contracting Parties.

The main questions asked by the Contracting Parties dealt with the Brussels agreement on Community steel export prices and the level of those prices.

With regard to this agreement, which in the view of certain delegates from third countries "might have a disturbing influence on conditions of competition inside the Common Market, whose effect on the level reached by prices in the export markets could not but be considerable", the High Authority stated that it was giving close attention to the operation of the agreement, and that it would take action if the latter seemed likely to lead to disturbances in the Common Market (Article 65 of the Treaty), of if it resulted in export prices in excess of equitable limits (fixing of maximum or minimum prices, Article 61 c).

On the subject of the export prices, the High Authority was able to point out that in any attempt to judge as to the equitability or otherwise of those prices (which it had shown to be equitable), comparison must be made primarily with world market prices, and only thereafter with comparable prices in the Common Market.

In its summing-up, the working-party stated that it was unable to give a valid opinion as to whether the export price policy of the Community exporters corresponded with the market situation, or whether the level of the prices charged was directly attributable to concerted action by those exporters.

While the discussions at G.A.T.T. have at times been difficult, they have at any rate given the Community an opportunity to make the results of its operations better known to the Contracting Parties.

INTERNATIONAL LABOUR ORGANIZATION

28. Under the agreement concluded between the Community and I.L.O., co-operation between the two institutions has produced appreciable results.

The High Authority has made use of I.L.O.'s experience in various fields, particularly in regard to occupational training, classification of occupations, and industrial health.

At the request of the governments, I.L.O. and the High Authority jointly drafted a European Social Security Convention for migrant workers. The draft was then submitted to government experts of the six Community countries, and an intergovernmental conference is to be held in Geneva under the auspices of the two bodies (1).

At the first European regional conference of I.L.O., held in Geneva from January 25 to February 4, 1955, the High Authority representatives emphasized that real progress in the social sphere in Europe could be achieved only by increasingly close co-operation between the organizations dealing with these problems. Various members of the national delegations expressed satisfaction at the first results of the High Authority's work, particularly in regard to the comparison of wages on an international scale.

UNITED NATIONS

29. Contact was maintained with the secretariat of the Economic Commission for Europe (E.C.E.) of the United Nations.

A High Authority representative attended the meeting held in Geneva on May 25, 1954, between the Administrative Co-ordination Committee of U.N., the Secretary-General of the Council of Europe and the Secretary-General of O.E.E.C. The meeting was for the purpose of unofficially studying the problem of co-operation between the European regional organizations and the organizations affiliated to U.N. The High Authority representative once again emphasized the spirit of close co-operation in which the Community is working, both at European and at world level.

30. This survey of the High Authority's external relations would be wholly incomplete if particular mention were not made of the close co-operation which has always been maintained in this field between the High Authority, the Special Council of Ministers and the governments of the member States of the Community.

(1) See Chapter V below.



CHAPTER THREE

OPERATION AND DEVELOPMENT OF THE COMMON MARKET

31. The twelve months under review in this Report opened at a time of continued economic uncertainty, in both the iron and steel and the coalmining industries. At the close of this period the tendency is one of expansion.

It would not, of course, be true to say that all the positive factors of this transformation may be attributed to the operation of the Common Market. It will, however, be shown that the elimination, some time previously, of a considerable number of impediments to trade began to produce results by stimulating the spread of the revival, first in steel and then in coal. Just as in 1953 producers were induced by poor sales to seek markets in areas where demand was comparatively greater, instead of, as formerly, reducing production and even laying off large numbers of workers, so in 1954 consumers were able to place orders in areas where adequate supplies were available (unutilized capacity of the iron and steel industry or stocks of coal).

The Common Market, while encouraging quantitative expansion, served to lessen the effects of the boom on prices, owing to the greater transparency of a wider market in which the free transactions between producers and users are subject to precisely defined, controlled and authorized rules in regard to the publication of price-schedules and non-discrimination.

That the Common Market, though still in its early stages, is none the less a living reality is demonstrated in particular by the increase in trade between the countries of the Community. The figures for 1954 as against those for 1952, the year preceding the introduction of the Common Market, have almost doubled for steel, and increased by 26% for coal.

(in millions of metric tons)

	1952 -	1953	1954
Steel	2.1	2.8	4.2
Coal	24.3	27.0	30.6

In regard to economic relations generally between the six countries of the Community, trade in the products coming under the Treaty represents almost 25% of the overall foreign trade of those countries.

32. This increase in trade between the Community countries has had no adverse effect on trade with third countries. Between 1952 and 1954, imports of steel from third countries rose by 23%, while exports also rose slightly; coal imports, after declining during the post-war years up to 1952, remained stable in 1953 and 1954, while exports to third countries, notably to the United Kingdom, showed a steady increase.

(in millions of metric tons)

	1952	1953	1954
Steel imports	0.8	0.9	1.0
Steel exports	6.6	6.6	6.7
Coal imports	22.3	13.8	13.9
Coal exports	9.6	10.2	13.4

33. Although the Common Market is already a living economic reality, there is still room for improvement as regards its actual operation, and for planning in respect of its long-term development.

After an account of recent developments, the pages following provide an outline of the way in which the High Authority is going about it, and what stage it has now reached in its endeavours.

Section 1 : — Evolution of the Common Market.

COAL

34. The coal year 1954-55 opened in April 1954 with a sluggish market, except for certain household grades (low-volatile and anthracite). The boom which subsequently developed in Europe has resulted in an increasing firmness of the market.

The effects of the rise in demand first began to be felt about October 1954, and spread throughout the Common Market.

35. Quite apart from the revival in iron and steel production in the Community, the development of the coal market has been profoundly influenced by the high level of economic activity in the United Kingdom. The main feature of the position there is still the expansion of general industrial production contrasting with the stagnation in coal production. In order to meet a considerable increase in home demand while at the same time keeping up, at any rate to some extent, its traditional coal export trade, Britain has had to import large tonnages, totalling some 5.5 m. metric tons for the coal year 1954-55. These were purchased from the Community, whence Britain had never bought coal until the middle of 1953, and from the United States. The effect on the Common Market was a dual one : firstly, demand was immediately increased, and secondly, British purchases from the United States contributed towards sending up transatlantic freight rates, which in January and February were \$ 2.50—3.00 per

metric ton higher than in the early summer of 1954. For Community buyers of American coal, this resulted in an increase in prices, aggravated by a rise in American F.O.B. prices. This impelled certain buyers, who had always bought from third-country and Community producers, to make sure of supplies in the Common Market.

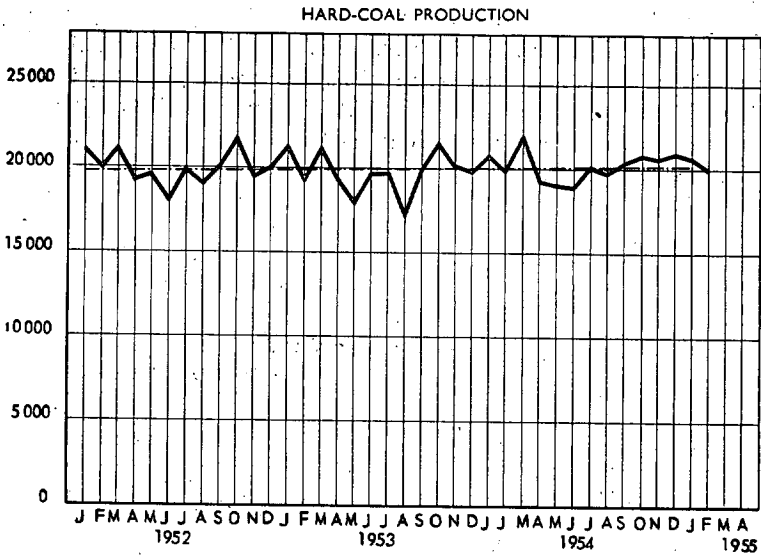
Between the end of February and the end of March, however, transatlantic freight rates dropped again by approximately \$ 1.50—2.00. As the tonnages of American coal available for export are considerable, and their delivered prices in Northern Europe are coming down to something like Community prices, it is possible that the tension in the Common Market will slacken off. In Italy, the difference in price in favour of American coal, which went down almost to zero in February, is now once more considerable and increasing only in power-stations ⁽¹⁾.

36. So long as the supply could be increased immediately by drawing on stocks, it was possible to adjust supplies to requirements. Once pithead stocks had gone well down in the majority of the coalfields, it became much more difficult to meet requirements; particularly as hard-coal production is not, from the short-term point of view, very elastic. There are still considerable stocks in certain coalfields, but these are grades which are rather hard to sell, and can on the whole, be used only in power-stations ⁽¹⁾.

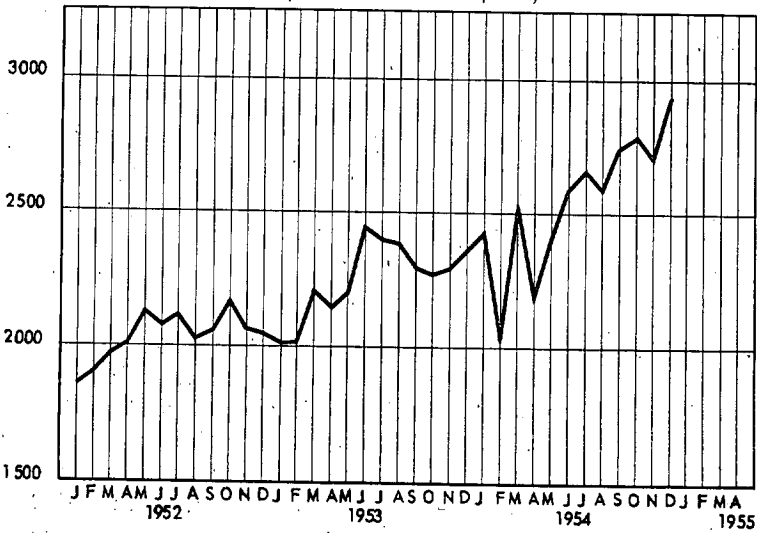
The tension is particularly marked in the coking-coal and coke-oven-coke sector. The difficulties which continue to exist in regard to anthracite may well be regarded as permanent, though a substantial proportion of the requirements could doubtless be met out of the fairly considerable supplies of crushed coke available.

(1) See Chapter IV below, for the incidence of this problem on the investment and finance policy of the High Authority.

Coal Production and Coal Trade within the Community



COAL TRADE BETWEEN COMMUNITY COUNTRIES ¹⁾
(hard coal, coke and briquettes)



1) Exclusive of trade between France and the Saar

(in thousands of metric tons)

Production

37. During the first half of 1954, hard-coal production remained at the level of the corresponding period of previous years. There was a slight rise in the second half, so that, with 241.7 m. metric tons, the production for the whole year was 2 % above, that for 1953 and 1.2 % above that for 1952. It thus reached its highest post-war level, and very nearly equalled the all-time record of 1938 (242.4 m. metric tons).

TABLE 1

World production of hard coal

(in millions of metric tons)

	1952	1953	1954 (1)	1954 as against previous maximum
Community . . .	238.9	237.0	241.7	— 0,3 % (1938)
United Kingdom . . .	230.1	227.8	228.1	— 22.1 % (1913)
United States	458.1	438.2	378.2	— 39.2 % (1947)
Soviet Union	230.0	248.0	267.0	+ 7.7 % (1953)
Eastern Europe	110.4	115.0	119.3	+ 3.7 % (1953)
Other countries . . .	228.4	236.5	250.0	..

(1) Provisional figures. "Other countries" estimated.

Despite a fairly lively demand, the production of the Community does not, at the beginning of 1955, reveal any upward trend over the corresponding months of previous years.

38. A breakdown by countries and coalfields for 1952-54, however, shows a somewhat different course of development: an increase in Germany, with the Ruhr approaching its past production-levels; slight decreases in Belgium, the Netherlands and Italy (— 3.8 %, — 3.6 % and — 1.7 % respectively); in France and the Saar, the Lorraine and Saar coalfields show a certain expansion (+ 6.4 % and + 3.5 %), but this does not altogether make up for the falling-off recorded in the other coalfields.

TABLE 2
Annual hard-coal production by coalfields

(in thousands of metric tons)

	1952	1953	1954
<i>Germany</i> ⁽¹⁾	123,778	124,472	128,035
Ruhr	114,417	115,551	118,712
Aachen	6,439	6,588	6,857
Lower Saxony	2,422	2,333	2,466
<i>Belgium</i>	30,384	30,060	29,249
Campine	9,712	9,483	9,258
Southern Belgium	20,672	20,577	19,991
<i>France</i>	55,365	52,588	54,405
Nord/Pas-de-Calais	29,406	27,554	28,705
Lorraine	12,210	12,001	12,996
Blanzy	2,678	2,589	2,612
Lore	3,805	3,460	3,330
Auvergne	1,145	1,120	1,092
Cévennes	2,893	2,875	2,819
Aquitaine	2,100	2,020	1,910
Dauphiné	536	542	536
Other French collieries	6592	427	405
<i>Saar</i>	1,235	16,418	16,818
<i>Italian</i> coalfields	1,089	1,126	1,073
<i>Netherlands</i> (Limburg)	12,532	12,297	12,071
Community :	238,883	236,961	241,651

(¹) Throughout this Report "Germany" stands for the German Federal Republic.

Output

39. Although overall production has increased only slightly over the last three years, the underground OMS went up by 3.2 % in 1954 over the average for the previous year, rising from 1 386 kg in the fourth quarter of 1953 to 1 453 kg in the fourth quarter of 1954, and even reaching 1 500 kg in February 1955. The 1938 figure was approximately 1 590.

Almost all the coalfields, even those whose overall production has decreased, shared in this development, with the exception of Dutch Limburg. The biggest increase between 1952 and 1954 were obtained in the Centre/Midi (+ 12.1 %), the Nord/Pas-de-Calais (+ 9.9 %) and Lorraine (+ 9.7 %). In the German coalfields, the increased OMS was achieved in spite of a reduction of the shift from 8 to 7 1/2 hours in April 1953.

TABLE 3
Underground output by coalfields⁽¹⁾

(OMS in kilograms)

	1938	1952	1953	1954	Gain (+) or loss (-) 1954/1952	Gain (+) or loss (-) 1954/1938
Ruhr	1,970	1,503	1,486	1,523	+ 1.3 %	- 22.7 %
Aachen	1,409	1,194	1,186	1,200	+ 0.5 %	- 14.8 %
Lower Saxony ..	1,380	1,200	1,130	1,169	- 2.6 %	- 15.3 %
Southern Bel- gium	1,004	957	979	1,011	+ 5.6 %	+ 0.7 %
Campine	1,523	1,295	1,289	1,352	+ 4.4 %	- 11.2 %
Nord/Pas-de- Calais	1,136	1,228	1,277	1,349	+ 9.9 %	+ 18.8 %
Centre/Midi	1,176	1,270	1,343	1,424	+ 12.1 %	+ 21.1 %
Lorraine	2,014	2,018	2,088	2,214	+ 9.7 %	+ 9.9 %
Saar ⁽²⁾	1,570	1,623	1,676	1,744	+ 7.4 %	+ 11.1 %
Sulcis	609	636	—	—
Dutch Limburg	2,371	1,609	1,567	1,497	- 7.0 %	- 36.9 %
Community :	1,590⁽³⁾	1,389⁽³⁾	1,393 1,401⁽³⁾	1,438 1,446⁽³⁾	+ 4.1 %	- 9.1 %

(¹) The output of the German and Netherlands mines is given as 2-3 % below the true level, the low-grade fuel mined by them having been converted into terms of saleable products.

(²) Saarbergwerke.

(³) Exclusive of the Sulcis coalfield.

Exports

40. Out of a production which had only slightly increased, the Community had to meet not merely a bigger home demand, but also a strong demand from third countries.

Hard-coal exports rose from 418 000 metric tons per month in the first quarter to 959 000 in the fourth quarter, and then seemed to become stabilized at the beginning of 1955. For the year 1954, they reached 7.9 m. metric tons as against 5.9 m. in 1953 and 4.4 m. in 1952 (highest post-war level: 6.5 m. metric tons in 1950).

In regard to coke-oven coke, developments took a different course. Following a decline at the beginning of 1954, exports rose again during the third quarter and then became stabilized. At the beginning of 1955, they revealed a downward trend. Total exports for 1954 amounted to 5.5 m. metric tons as against 4.4 m. in 1953 and 5.2 m. in 1952 (4.7 m. metric tons in 1950 and 1951).

41. The increase in hard-coal exports, in which the principal producer countries of the Community had a share, was made up mainly by sales to Great Britain. That country had in 1953 imported hard coal from Community countries for the first time. During 1954, it became the biggest customer of the Community.

TABLE 4

Hard-coal exports to Great Britain

(in thousands of metric tons)

	1953	1954
Germany	26	409
Belgium	192	911
France & Saar	343	1,052
Community :	561	2,372

42. Exports of coke go mainly to the Scandinavian countries which are to a great extent supplied by Germany.

43. Hard-coal and coke exports to third countries may be summed up as follows:

Parallel with this increase in coal exports during the past three years, there has been a decline in imports followed by a stabilization. Whereas the Community was essentially importing from other countries during 1951 and 1952, it had for the first time a slight excess of exports over imports in 1954 ⁽¹⁾.

TABLE 5

Hard-coal and coke exports to third countries, by countries of origin

(in thousands of metric tons)

	1952		1953		1954	
	Hard coal	coke	Hard coal	coke	Hard coal	coke
Germany	3,104	4,024	3,264	3,215	3,729	4,430
Belgium	232	415	582	456	1,397	326
France & Saar	1,091	32	1,975	71	2,625	107
Italy	—	44	—	48	—	51
Netherlands	15	637	51	577	114	626
Community :	4,442	5,152	5,872	4,367	7,865	5,540

(1) Coke exports are given in hard-coal equivalent at the rate of 1.3 metric ton of hard coal per ton of coke.

TABLE 6

Hard-coal and coke exports to third countries, by countries of destination
(in thousands of metric tons)

	1952		1953		1954	
	Hard coal	coke	Hard coal	coke	Hard coal	coke
Great Britain	—	20	561	—	2,372	—
Scandinavia	707	3,704	1,026	3,032	988	3,463
Switzerland	1,079	601	1,076	543	1,553	604
Austria	1,748	240	2,105	286	2,080	343
Other countries ...	908	587	1,104	506	872	1,130
Community :	4,442	5,152	5,872	4,367	7,865	5,540

Imports

44. During 1954, the Community countries imported 13.9 m. metric tons of hard coal, *i.e.* roughly about the same as in 1953, and 38 % less than in 1952 (highest post-war level: 27.4 m. metric tons in 1947).

While imports in general remained at about the level of 1953 and 1954, those from the United States fell off slightly. The increase in the case of Italy and the Netherlands was not completely offset by the reductions in the case of Germany, Belgium and France. Imports from Britain increased somewhat as a result of purchases made by France, Belgium and Germany.

TABLE 7

Hard-coal imports from third countries, by countries of destination

(in thousands of metric tons)

	1952	1953	1954
Germany	7,879	5,045	3,850
Belgium	1,173	1,133	863
France	5,361	1,615	2,216
Italy	5,077	4,222	4,862
Luxembourg	87	6	6
Netherlands	2,707	1,802	2,098
Community :	22,264	13,823	13,885

TABLE 8

Hard-coal imports from third countries, by countries of origin

(in thousands of metric tons)

	1952	1953	1954
United States	16,302	6,684	6,178
Great Britain	3,516	5,085	5,260
Poland	1,628	1,193	1,157
Soviet Union	388	432	705
Other countries	430	429	585
Community:	22,264	13,823	13,885

Trade within the Community

45. The volume of trade in coal (hard coal, coke and briquettes) between the countries of the Community reached 30.6 m. metric tons in 1954, as against 27 m. in 1953 and 24.4 m. in 1952.

(in millions of metric tons)

	1952	1953	1954
Hard coal	15.8	19.3	22.7
Coke	8.1	7.1	7.0
Briquettes	0.5	0.6	0.9

46. Despite a rather weak market, the introduction of the Common Market for coal in 1953 made it possible to increase trade in *hard coal* by more than 3.4 m. metric tons over 1952. This development continued during 1954, and was even intensified in the third quarter by a hardening of demand. For the whole year, a further increase by 3.4 m. metric tons over 1953 was recorded. The total increase between 1952 and 1954 amounted to close on 6.9 m. metric tons (*i.e.* 43.3 %).

A breakdown by countries reveals that deliveries by the German mines rose steadily between 1952 and 1954, mainly as a result of increased sales to Belgium, the Netherlands, France and the Saar. Sales to Italy, after a substantial increase in 1953, remained stationary in 1954.

Belgian deliveries increased by 86 % between 1952 and 1954, mainly as a result of sales to the Netherlands and Germany

thanks to the additional compensation payments granted under the Convention. Sales to France and Italy, after rising in 1953, fell off in 1954.

Deliveries from France and the Saar remained practically unchanged throughout 1953 et 1954, at a level of 15 % above that of 1952. There was, however, an increase in sales to Belgium and, in comparison with 1953, a drop in deliveries to the Netherlands.

The Netherlands, whose sales to Belgium and France had been nil in 1952, built up steadily increasing deliveries to these two countries during the period under review.

47. The changes which took place in the structure of the trade in the coal market in 1954 may be largely attributed to developments in the economic situation in Germany. The lively industrial activity there led to a hardening of demand and a tightness in the market. Pithead stocks were quickly used up. After reaching a peak in July 1954 (1.2 m. metric tons), deliveries by German collieries to other Community countries fell back, in the last quarter of the year, to about the average level of 1953 (approx. 1 m. metric tons per month); this decrease affected mainly the sales to Belgium, France and Italy. At the same time, German consumers made a greater call on the production of other Community areas (Lorraine, Saar and, beginning in the fourth quarter with the assistance of compensation payments, Belgium), with 310 000 metric tons per month in the second quarter, 353 000 in the third, 473 000 in the fourth, and 499 000 in January and February 1955.

48. Trade in *coke-oven coke* remained, in 1954, at the 1953 level, with roughly 7 m. metric tons as against 8 m. in 1952. It increased, however, steadily from quarter to quarter, as a result of the revival in the iron and steel industry, rising by more than 500 000 metric tons per month in the first quarter to nearly 700 000 in the fourth quarter and 744 000 in January and February 1955.

49. The following table provides an overall picture of developments in the *coal trade* (hard coal, coke and hard-coal briquettes, added up ton for ton ⁽¹⁾).

(1) Exclusive of brown-coal briquettes.

TABLE 9

Trade in coal within the Community
— hard coal, coke and briquettes —

(in thousands of metric tons)

Countries of supply	Countries of destination	1952	1953	1954
Germany	Belgium	317	672	1,959
	France & Saar	7,148	6,653	6,730
	Italy	2,995	3,432	3,527
	Luxembourg	3,073	2,925	2,892
	Netherlands	2,322	2,783	3,131
	<i>Total</i>	<i>15,855</i>	<i>16,465</i>	<i>18,239</i>
Belgium	Germany	220	128	225
	France & Saar	1,425	2,050	2,045
	Italy	681	839	576
	Luxembourg	205	125	137
	Netherlands	579	1,092	2,174
	<i>Total</i>	<i>3,110</i>	<i>4,234</i>	<i>5,157</i>
France & Saar	Germany	4,060	4,478	4,425
	Belgium	169	147	333
	Italy	214	471	418
	Luxembourg	155	129	130
	Netherlands	4	106	9
	<i>Total</i>	<i>4,602</i>	<i>5,331</i>	<i>5,315</i>
Netherlands	Germany	—	12	128
	Belgium	6	192	546
	France & Saar	518	523	952
	Italy	—	4	—
	Luxembourg	234	203	246
	<i>Total</i>	<i>758</i>	<i>934</i>	<i>1,872</i>
Grand total...		24,419⁽¹⁾	26,994⁽¹⁾	30,583
	Germany	4,280	4,618	4,778
	Belgium	492	1,011	2,838
	France & Saar	9,091	9,226	9,727
	Italy	3,890	4,746	4,521
	Luxembourg	3,667	3,382	3,405
	Netherlands	2,905	3,981	5,314

⁽¹⁾ Including Italian deliveries of coke to France.

50. As may be seen from this table, the overall development of the coal market in 1954 was characterized by a big increase in home demand and in the demand from third countries, whereas availabilities had increased only slightly. The discrepancy was made up mainly by calling on stocks.

Pithead stocks of hard coal increased from 2.3 m. metric tons at the end of 1951 to nearly 15 m. in August 1954. This development was interrupted only in the period from June 1953 to February 1954, during which stocks settled down at a level of 10-11 m. metric tons.

From August 1954 onwards, the rate of increase slowed down, and in Germany and Belgium the level of the stocks even began to drop. In mid-March, 1955, pithead stocks totalled 11.5 m. metric tons, 8 m. of which were held in the French coalfields.

TABLE 10

Pithead stocks of hard coal ⁽¹⁾*(in thousands of metric tons)*

	End of 1952	End of 1953	End of August 1954	End of 1954	March 13, 1955 (²)
Germany	465	841	2,020	654	505
Belgium.....	1,673	3,077	4,067	2,815	1,761
France	4,213	5,601	7,607	7,838	8,215
Saar	462	536	971	821	648
Netherlands	237	213	314	287	351
Community (²) :	7,103	10,305	14,988	12,426	11,509

(¹) Exclusive of stocks held by coking-plants and mine-owned briquetting-works. Including middlings, slurry, slack and various low-grade fuels.

(²) Including stocks in Sulcis coalfield.

(³) Provisional figures.

This disparity in the development of the stock position in France and in the other Community countries shows very clearly that the problem is not exclusively an economic one (¹).

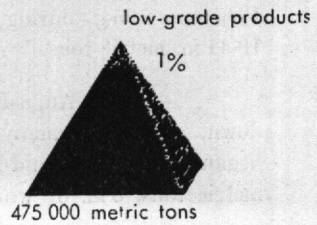
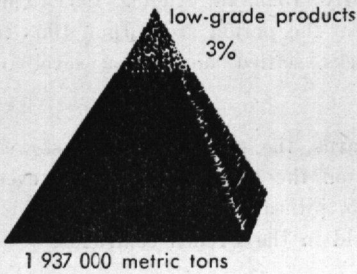
(1) The temporary measures authorized by the High Authority for the purpose of remedying the situation are dealt with further on in this Report, viz. special freight rates for the transport of coal from the Centre/Midi to the Atlantic seaboard (see N° 131), and deviations from scheduled prices for certain sales by the Nord/Pas-de-Calais coalfield to Germany and the Netherlands (see N° 100).

Volume and Composition of Pithead Stocks of Hard Coal

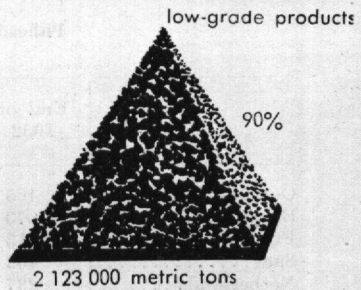
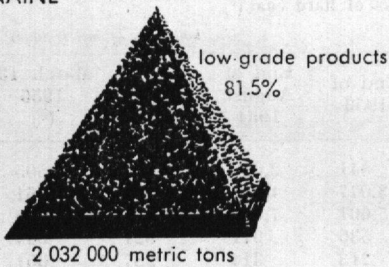
end of August 1954

mid-march 1954

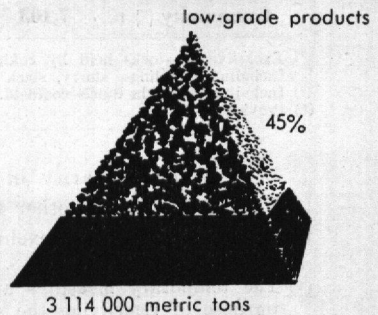
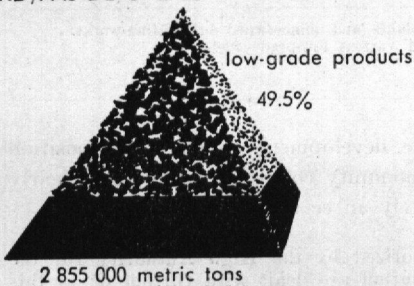
RUHR



LORRAINE



NORD/PAS-DE-CALAIS



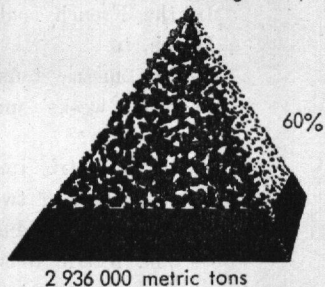
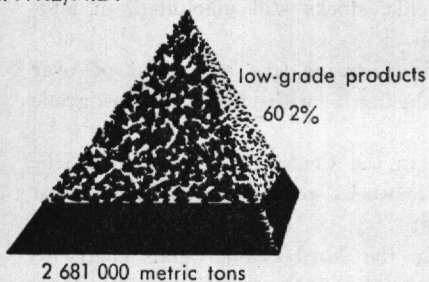
Volume and Composition of Pithead Stocks of Hard Coal

end of August 1954

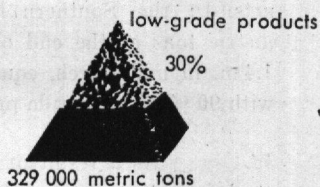
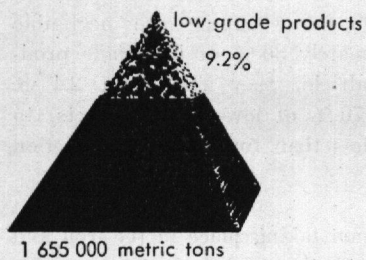
mid-March 1955

CENTRE/MIDI

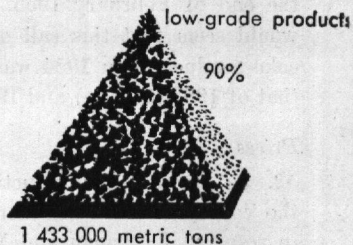
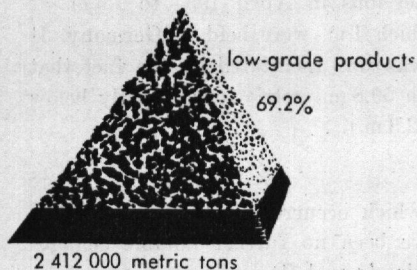
low-grade products



CAMPINE



SOUTHERN BELGIUM



A closer examination reveals that stocks are larger in those coalfields where the percentage of low-grade products is greater. It was in these coalfields that stocks accumulated more quickly, and, in the event of diminution, were absorbed more slowly.

Thus, for instance, in the Ruhr, stocks have been diminishing quickly since August 1954; at their highest level, they did not include more than 3 % of low-grade products.

In the French coalfields, stocks still amounted, in mid-March, to

- 2 m. metric tons in Lorraine (the equivalent of over seven weeks' production), with 90 % of low-grade products;
- 2.9 m. metric tons in the Centre/Midi coalfields (the equivalent of twelve weeks' production), with 60 % of low-grade products;
- 3 m. metric tons in the Nord/Pas-de-Calais coalfields (the equivalent of five weeks' production), with 45 % of low-grade products.

The position in the Belgian coalfields is midway between these two extremes. Stocks held in the Campine are negligible (329 000 metric tons), with approximately 30 % of low-grade products. In the Southern Belgian coalfield, they fell from 2.4 m. metric tons at the end of August (70 % of low-grade products) to 1.4 m. in mid-March, equivalent to less than four weeks' production with 90 % of low-grade products.

51. As a result of the expansion taking place in the iron and steel industry, stocks of coke held at the coking-plants were also reduced, even more quickly than the pithead stocks of hard coal: They dropped from 4.6 m. metric tons in April 1954 to 1.6 m. at the end of February 1955, of which 1 m. were held in Germany. It would seem that this call on stocks was facilitated by the fact that coke-production in 1954 was, with 59.8 m. metric tons, slightly below that of 1953 (61.5 m.) and 1952 (62.3 m.).

Prices

52. Since the reductions which occurred at the beginning of the coal year 1954-55, there have been no further notable changes in respect of German and Netherlands coal (1).

(1) See *Report on the Situation of the Community*, November 1954, N° 15.

The levy imposed to encourage the construction of workers' houses was reduced in November 1954, which resulted in a lowering of the price of hard coal, coke and briquettes by Dm. 1.— per ton, and that of brown-coal briquettes and low-temperature coke of lignite by DM. 0.50 to users of German coal.

On July 1, 1954, the collieries of the Nord/Pas-de-Calais coalfield published new price-schedules, to allow for the new tax regulations introduced in France. Furthermore, the prices of middlings and slurries, as well as large coke, were reduced, while those of industrial coal and sized coke were slightly increased.

At the beginning of 1955, price reductions occurred in the French and Saar coalfields. In the case of the Nord/Pas-de-Calais they amounted to Ffrs. 150.— per ton, in Lorraine to Ffrs 70.—, and in the Saar to Ffrs. 15.—, or roughly 3 % of the average price of all grades of industrial coal.

On October 1, 1954, certain Netherlands producers increased their scheduled prices for certain grades of household anthracite. This resulted in an average increase for all types and grades of fl. 0.33 per ton.

On January 1, 1955, the scheduled prices of Netherlands coal went up slightly for deliveries in the home market, on account of the increase in the Netherlands turnover tax.

53. It should furthermore be pointed out that in view of the hardening of the market, and the increase in the delivered prices of American and British coal, the coal producers of the Community discontinued the practice of allowing discounts to Community customers by way of alignment with quotations from third countries. This resulted in a certain increase in delivered prices in those sectors of the Common Market which had until then benefited either directly or by alignment, from the advantageous conditions offered in respect of purchases of coal from third countries.

STEEL

54. The favourable development of general economic activity in the six countries, following a period of uncertainty in 1953 and at the beginning of 1954, led to a strong revival

in the iron and steel industry of the Community. It would seem that there were three factors which determined and intensified this development.

Firstly, it appears that up to the second quarter of 1954, dealers and consumers had been allowing their stocks to diminish to a greater extent than was consistent with the normal run of their business. A certain apprehension as to developments in the market situation, as also the expectation of further prices reductions, had probably led them to make mistakes in their arrangements. When, towards the summer of 1954, prices became stabilized, purchases were made with the object of both replenishing stocks and taking advantage of the lower prices still prevailing. Fear of further price increases and supply difficulties, which was accentuated as delivery times lengthened, caused a rapid rise in demand. It is probable that some of the orders on the books represent the same tonnage ordered several times over from different producers, *i. e.* simply for the sake of making sure of supplies.

A second impulse emanated from the demand for consumer goods. In this sector, an economic factor must have operated in conjunction with a structural change in requirements. It would seem that the intensive activity in the building industries is related not only to quantitative requirements, which remain as great as ever, but also to the desire for qualitative improvement, which in its turn is linked to the general development of the standard of living. The effect of the demand by new groups of consumers is reflected in increased sales of motor-cars, motor-cycles, etc., and of other consumer goods (household appliances, television sets, etc.).

The main impulse for the general economic revival and the upswing in the iron and steel industry in practically all the Community countries has, however, been provided by investments. Up to the third quarter of 1954, investments in connection with the modernization and nationalization of enterprises, for the purpose of improving their competitive capacity,

took first place. Since then, the utilization of production capacities has in certain industries approached its optimum. This has raised the problem of expanding capacities. In certain countries of the Community, enterprises have started with the construction of new plant. In third countries, the growing demand for capital goods has led to an increase in imports of iron and steel products and industrial equipment.

The combined operation of these factors is reflected in the growth of the volume of new orders for rolled products booked by Community producers.

New Orders

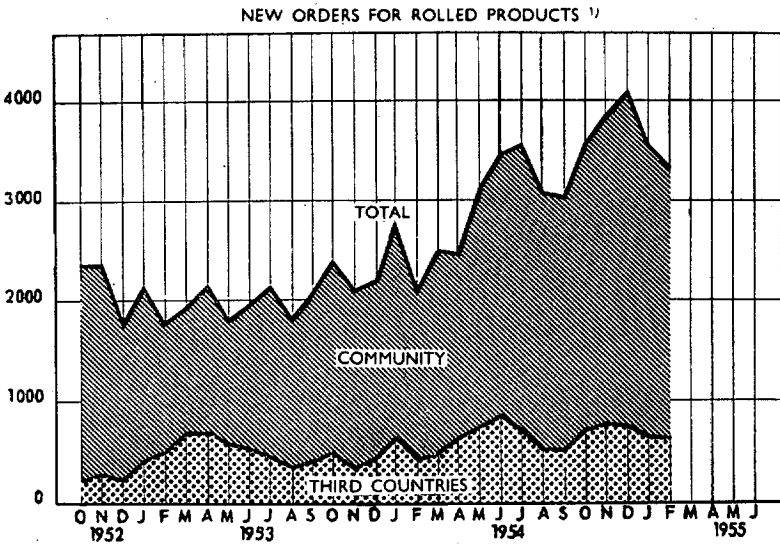
55. During 1953, the monthly volume of new orders received for rolled products was less than that of deliveries leaving the works, so that orders on hand went down by some 4 m. metric tons in the course of the year.

By the end of 1953, this tendency had been reversed. New orders went up from 2.4 m. metric tons per month in the first quarter to 3.8 m. in the fourth quarter, which represents an increase of approximately 60 %. As deliveries from the works increased at a slower rate, tonnages on order went up from 6 m. metric tons in March-April to over 12 m. at the beginning of March 1955.

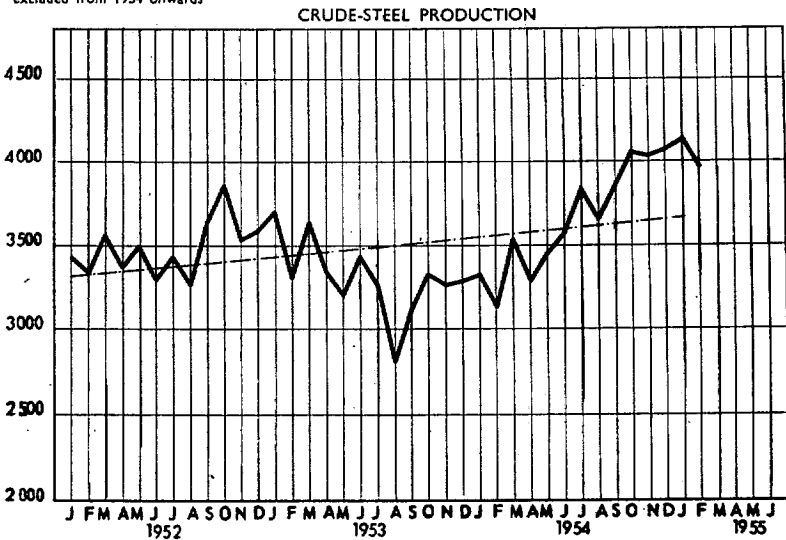
This development was, however, neither sustained nor regular. After a quick rise between January (2.7 m. metric tons) and July 1954 (3.5 m.), a seasonal drop occurred in August and September, followed by a renewed rise at the end of the year (approx. 4.1 m. metric tons in December).

Quite apart from the seasonal factors, a rough comparison between the indices of steel supplies in the Common Market (production + imports — exports) and the indices of consumption of the processing industries shows that in the third quarter of 1954 supplies exceeded actual consumption; a portion of the purchases was no doubt used for the purpose of replenishing stocks, and once this had been done, the buyers adjusted their orders to their actual consumption. In the fourth quarter, these two indices were more or less equal, from which it may be concluded that current production

Steel Production and Steel Trade within the Community



1) The 1952 and 1953 figures include certain tonnages of special steels excluded from 1954 onwards



(in thousands of metric tons)

by the iron and steel industry corresponded more or less to the consumption of the processing and building industries. Buyers had to meet the requirements dictated by increased consumption, build up their stocks, and cover themselves against a possible rise in prices.

Certain price increases did, in fact, occur in respect of exports as from July 1954, and in respect of the Common Market as from December ⁽¹⁾. New orders booked went down from 4.1 metric tons in December, 1954 to 3.5 m. in January, 1955 and 3.3 m. in February. If this development were to continue during the coming months, it should, it is felt, be regarded as a stabilization of the economic situation rather than an actual recession.

56. A breakdown of orders by countries of origin shows that the expansion is due mainly to the home demand in the Community countries. Between the first and last quarters of 1954, orders from Community countries went up by over 60 %, and those from countries by 44 %. The drop at the beginning of 1955 is about the same in both cases.

TABLE II

New orders for and shipments of rolled products ⁽¹⁾*(in thousands of metric tons)*

	Orders received				Shipments by the works
	Home markets	Other Community countries	Third countries	Total	
1954 (monthly av.)	2,062	402	655	3,119	2,651
1st quarter (monthly av.)	1,562	350	524	2,436	2,366
2nd quarter (monthly av.)	1,945	325	737	3,007	2,480
3rd quarter (monthly av.)	2,194	408	608	3,210	2,743
4th quarter (monthly av.)	2,545	526	749	3,820	3,016
1955					
January	2,413	479	644	3,536	2,931
February ⁽²⁾	2,308	392	627	3,327	..

⁽¹⁾ Exclusive of special steels.

Former tables included special steels for certain countries.

⁽²⁾ Provisional figures.⁽¹⁾ See N° 75 below.

57. The development in regard to new orders in the various countries of the Community shows differences as to the period involved.

Thus, the increase from the first to the second quarter of 1954 was particularly pronounced in Germany and Italy (+ 31.5 % and + 37 % respectively, as against an average of 16 % for the remaining Community countries). The increase in these two countries was due to home demand, to which, in the case of Germany, was added a stronger demand from third countries.

In Belgium, France with the Saar, Luxembourg and the Netherlands, the largest increase occurred in the fourth quarter (+ 21.5 % over the preceding quarter). This increase was due to both home and third-country demand, as well as to orders from other Community countries, especially Germany.

At the beginning of 1955, new orders accepted by the works diminished in all the countries with the lengthening of delivery times. However, while this development continued into February in Germany, France with the Saar and the Netherlands, new orders began to be accepted again to some extent in Belgium, Italy and Luxembourg.

TABLE 12

New orders in Community countries ⁽¹⁾*(monthly averages in thousands of metric tons)*

	1954				1955	
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Jan-uary	Fe-bruary
Germany	924	1,215	1,373	1,631	1,387	1,299
Belgium.....	318	390	356	439	397	415
France & Saar	743	853	913	1,114	1,172	964
Italy	184	252	272	286	275	335
Luxembourg.....	202	222	221	248	218	236
Netherlands	65	75	75	102	87	78
Community :	2,436	3,007	3,210	3,820	3,536	3,327

⁽¹⁾ Exclusive of special steels.

58. The development of that part of the total volume of orders within the Community which was placed by buyers located in

Community countries other than that of the producer very clearly reveals the effects of the introduction of the Common Market, *i.e.* of the removal of the principal impediments to trade and the application of rules which give greater transparency to commercial relations.

Between 1950 and 1952, the rate of market interpenetration was roughly 10 %. In the fourth quarter of 1953, it went up to 16.5 %, and then reached 18.3 % in the first quarter of 1954. At that particular time, the economic situation was still hesitant, and the producers of countries with a relatively small demand began to seek orders in countries where demand was stronger.

In the second quarter of 1954, the rate of interpenetration dropped to 14.3 %. Now, as has been shown, this period was marked by a strong increase in demand in Germany and Italy; but as this revival was essentially due to home demand in these two countries, it caused a lowering of the rate of interpenetration.

In the third quarter, the rate began to rise again, and reached 15.7 %. The total volume of orders diminished for the reasons already stated, but Germany placed larger orders, particularly in France, the Saar and Luxembourg, while the German producers for their part booked new orders from France, Italy and the Netherlands. Thus, the revival spread quickly throughout the Common Market by a complex inter-play of relations between the individual countries and, in some cases, between individual areas, with the result that in the fourth quarter, which was marked by a further increase in the total volume of orders, the rate of interpenetration reached 17.1 %.

The slackening-off in the rate of new orders at the beginning of 1955 was accompanied by a drop in the rate of interpenetration.

To sum up, it may be said — subject to this analysis being checked over a longer period — that the development of the rate of interpenetration reflects fairly accurately the development of the revival inside the Common Market, *i.e.* a local increase in demand first causes the rate to drop, after which it rises with the spreading of this revival, and then drops again as soon as the economic situation tends to become stabilized.

TABLE 13

Development of market interpenetration ⁽¹⁾

(in thousands of metric tons)

	Source of orders		Extent of market interpenetration
	Consumers in the Community	Consumers in a country other than that of the producing works	
1953			
September	1,633	228	14.4 %
4th qtr. (mly. av.)	1,774	293	16.5 %
1954			
1st qtr. (mly. av.)	1,912	350	18.3 %
2nd qtr. (mly. av.)	2,270	325	14.3 %
3rd qtr. (mly. av.)	2,802	408	15.7 %
4th qtr. (mly. av.)	3,071	526	17.1 %
1955			
January	2,892	479	16.6 %
February	2,700	392	14.5 %

⁽¹⁾ Covering the years 1954 and 1955, exclusive of special steels.*Production*

59. Crude-steel production in the Community had fallen from 3.6 m. metric tons per month in the last quarter of 1952 to 3.1 m. in the third quarter of 1953. Since then it has been steadily increasing, and has been exceeding a monthly average of 4 m. metric tons since October 1954.

TABLE 14

World production of crude steel

(in millions of metric tons)

	1952	1953	1954	1954 as against previous maximum
Community...	41.8	39.7	43.8	+ 4.7 % (1952)
Great Britain	16.7	17.9	18.8	+ 5.2 % (1953)
United States	84.5	101.3	80.1	- 20.9 % (1953)
Soviet Union	34.4	37.9	41.0	+ 8.2 % (1953)
Eastern Europe.....	10.8	12.0	13.3	+ 10.8 % (1953)
Japan	7.0	7.7	7.8	+ 1.3 % (1953)
Other countries ...	16.8	18.5	18.2	- 1.6 % (1953)

The annual production for 1954 exceeded, with 43.8 m. metric tons, that of 1953 (39.7 m.) by 10.4 %, and that of 1952 (41.8 m.) by 4.7 %. This development compares favourably with that in the other big producer areas of the world: the Soviet Union and the Eastern European countries, which have launched on a process of rapid industrialization, show the highest rates of increase for 1954 over 1953 (+ 8.2 % and + 10.8 % respectively), whereas in consequence of certain economic factors, the production of the United States fell off in the same period by 20.9 %.

The rate of production at the beginning of 1955, reduced to a yearly basis, is in the region of 50 m. metric tons, while the forecasts made out on the basis of the High Authority's preliminary studies on the development of requirements suggested that the annual demand would be approximately 50 m. metric tons by about 1956-57.

60. There was a general improvement from 1953 to 1954 in the producer regions of the Community, with the exception of the

TABLE 15
Annual crude-steel production by areas

(in thousands of metric tons)

	1952	1953	1954
<i>Germany</i>	15,806	15,429	17,434
Lower Saxony	1,273	1,394	1,594
North Rhine/Westphalia	13,429	13,001	14,667
Hesse	75	69	84
Rhineland/Palatinate	452	427	507
Baden/Württemberg	30	26	29
Bavaria	539	495	543
Schleswig-Holstein	8	9	10
<i>France</i>	10,867	9,974	10,626
Mourthe-et-Moselle	3,643	3,440	3,474
Moselle	3,481	3,219	3,653
Nord	2,338	2,108	2,273
Centre	712	537	533
South-east	76	59	70
South-west	147	134	145
West	470	500	479
<i>Saar</i>	2,823	2,682	2,804
<i>Belgium</i>	5,098	4,504	4,994
<i>Luxembourg</i>	3,002	2,658	2,828
<i>Italy</i>	3,535	3,520	4,175
<i>Netherlands</i>	685	889	929
Community :	41,816	39,656	43,789

areas in Central and Western France. The biggest increases over 1952 were in the Netherlands, in Lower Saxony and in Italy.

61. This crude-steel production of 43.8 m. metric tons was made up of 22.6 m. metric tons of basic Bessemer (51.6 %), 17.4 m. of open-hearth (39.7 %), 3.5 m. of electric-furnace (8.1 %), and 0.3 m. of steel for castings and fagots (0.6 %).

Since the end of the war, there has been a relative increase in the production of open-hearth steel which, between 1935 and 1938, made up 44 % of the total production, as against 51 % in the case of basic Bessemer and roughly 5 % in the case of electric-furnace.

Whereas the total production went up by 4.7 % between 1952 and 1954, that of open-hearth steel by 14 %, and of electric-furnace steel by approximately 9 %, basic Bessemer steel production dropped by 5 %.

During the same period, pig-iron production went down by 5 %.

As will be seen further on, this change in the structure of iron and steel production has not been without its effect on the scrap market (1).

62. The production of finished products in 1954 did not quite reach the level of 1952.

Development differed according to the type of product. The biggest advance between 1952 and 1954 was in the case of sheet, wire-rod and strip. Against this, there was a drop in the production of semis for tubes and permanent-way material.

Although this development in the production of finished products corresponds with the development in demand, which was particularly marked in the light-products sector (sheet, wire-rod and merchant bars), it was not enough to cover requirements. Delivery times lengthened considerably (in the case of some products they now exceed six months), and there were price increases both inside the Common Market and for sales to third countries (2).

(1) See N° 83 below.

(2) See N° 75 below.

TABLE 16

Production of finished products, by types of product

(in thousands of metric tons)

	1952	1953	1954	gain (+) or loss (-) 1952/1954
Permanent-way material	1,440	1,497	1,107	- 23.1 %
Heavy sections	2,712	2,603	2,742	+ 1.1 %
Light sections	10,176	8,691	9,381	- 7.8 %
Wire-rod	2,844	2,478	3,156	+ 11.0 %
Semis for tubes	2,136	1,512	1,253	- 41.3 %
Strip	2,328	2,039	2,571	+ 10.4 %
Sheet (+ 3 mm.)	4,284	4,523	4,422	+ 3.2 %
Sheet (- 3 mm.)	3,780	3,615	4,963	+ 31.3 %
	29,700	26,958	29,595	- 0.4 %

Exports

63. Exports of iron and steel products to third countries went up from 502 000 metric tons per month in the first quarter to 608 000 metric tons in the last quarter of 1954. For the whole year,

TABLE 17

Exports of iron and steel products (1)

(in thousands of metric tons)

	1952	1953	1954	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954	4th. qtr. 1954
Germany	1,222.8	1,053.6	1,439.3	327.1	409.8	354.6	347.8
Belgium..	1,908.0	1,688.3	1,706.8	397.4	437.3	394.5	477.6
France/ Saar . . .	2,019.6	2,361.5	2,129.5	500.3	523.8	479.6	625.8
Italy . . .	21.6	68.7	84.4	4.2	18.3	26.9	35.0
Luxem- bourg . .	1,233.6	1,128.8	997.7	194.0	247.6	301.9	254.2
Nether- lands . .	237.6	310.3	311.0	82.2	75.0	70.3	83.5
Com- munity :	6,643.2	6,611.2	6,668.7	1,505.2	1,711.8	1,627.8	1,823.9
(finished rolled prod- ucts)	(5,080.8)	(5,150.8)	(5,011.6)	(1,132.4)	(1,222.7)	(1,263.8)	(1,392.7)

(1) Based on Customs Statistics.

they reached almost 6.7 m. metric tons, of which 5 m. were finished products. These figures are very nearly the same as for the two preceding years.

The development from 1953 to 1954 was, however, different in each country, viz. an increase in Germany, a drop in France with the Saar and in Luxembourg, and a stabilization in the Netherlands and Belgium, where the increase in pig-iron and crude-steel exports offset the drop in sales of finished products.

64. From the foregoing two conclusions may be drawn.

In the first place, we find that during 1954, the third countries were supplied regularly and even in an increasing measure.

Secondly, the fact that exports, in spite of an increase between the beginning and the end of 1954, did not appreciably exceed the volume of 1953, when business was rather slack, confirms the conclusion drawn from an examination of orders, namely that the expansion of the iron and steel industry in 1954 was essentially due to the incidence of internal factors (1).

The present situation differs from that which prevailed in 1951, at the time of the boom arising out of events in Korea. Crude-steel production in that year was considerably behind that of 1954 (37.7 m. metric tons, as against 43.8 m.); exports to third countries, however, exceeded those of 1950 by more than 40 %, and reached nearly 10 m. metric tons, of which the United States alone took 2 m.

65. The principal customers of the Community in 1954 were still the countries of Western Europe, although their share of the total exports dropped from 46 % in 1952 to 38 % in 1954.

We find that there has been a strong decline in sales to the United Kingdom, while the share of the Scandinavian countries, following a slight falling-off in 1953, reached a somewhat higher level (roughly 19 %).

The share of North America (United States and Canada) has been decreasing appreciably, viz. 9 % in 1954 as against 13 % in 1952 and 17 % in 1953.

(1) See N° 56 above.

Exports to countries in process of industrialization have gone up. Sales to Latin America (Argentina, Venezuela, Brazil, Colombia, etc.) are rising steeply, viz. 18 % in 1954, as against 10 % in 1953 and 9 % in 1952. The same applies to sales to the Near, Middle and Far East, viz. 14 % in 1954, as against 13 % in 1953 and 7 % in 1952.

66. As regards the composition of exports according to the type of product, we find

- an increase in the case of plate and sheet and of end-products (tinplate and black-plate, coated sheets, etc.), and to a lesser degree in the case of ingots and semis;
- a decrease in the case of pig-iron, permanent-way material and sections (joists and merchant bars), although the latter still take first place among exported products.

67. While the development of exports between 1952 and 1954 was in the main characterized by changes in destination and composition, whereas the overall volume remained more or less stable, the development of imports by Community countries from third countries took a different course.

Imports

68. The volume of imports of iron and steel products from third countries increased from 1953 to 1954. The rate of increase was, however, considerably smaller than it had been from 1952 to 1953.

At first sight, this development is somewhat surprising, since 1953 was a year in which business in the Community was rather slack, while 1954 was a year of expansion. It becomes more comprehensible if we examine these imports by types of product.

Pig-iron imports followed the general trend in the economic situation. While they were high in 1952, they fell off considerably in 1953, and rose again in 1954, without, however, attaining the 1952 level. The increase in requirements resulting from the growth of economic activity did not lead to the same tightness in the world market as in the case of finished products. With more

abundant supplies available, offers from third countries were on the average 20 % below those of Community producers.

The development of imports of finished rolled products followed an opposite course, viz. a substantial increase from 1952 to 1953, and an appreciable decline in 1954. In this sector, the boom periods of 1952 and 1954 led to an increase of demand throughout the world, which it was not possible to meet at short notice. In the Community, competition from third countries was less marked than in 1953, which was a slack year.

Finally, imports of semis went up steadily between 1952 and 1954.

69. Closer examination by countries reveals three tendencies in the development inside the Community.

In Germany, Belgium and Italy, there was a steady increase in imports between 1953 and 1954.

The development in Luxembourg shows a downward trend.

In France with the Saar and in the Netherlands, imports went up from 1952 to 1953, but dropped appreciably in 1954.

TABLE 18

Imports of iron and steel products ⁽¹⁾*(in thousands of metric tons)*

	1952	1953	1954	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954	4th qtr. 1954
Germany	184.8	202.9	213.3	32.9	48.7	59.8	71.9
Belgium	88.8	106.5	148.8	28.6	29.6	38.4	52.2
France & Saar	75.6	98.5	39.7	10.8	9.9	6.9	12.1
Italy	237.6	331.9	414.6	115.0	80.0	92.2	127.4
Luxembourg	30.0	6.2	7.4	0.7	0.7	2.0	4.0
Netherlands	165.6	174.6	140.5	32.6	30.4	36.9	40.6
Community :	782.4	920.6	964.3	220.6	199.3	236.2	308.2
(pig-iron)	(330.0)	(193.9)	(318.6)	(59.3)	(48.2)	(75.8)	(135.3)
(steel-semis)	(92.4)	(123.1)	(148.5)	(34.0)	(29.3)	(43.2)	(42.0)
(finished rolled products)	(216.0)	(408.0)	(291.9)	(77.3)	(68.9)	(74.0)	(71.7)

⁽¹⁾ Based on Customs Statistics.

70. This overall development conceals a divergence in developments regarding pig-iron, steel-semis and finished rolled products. Thus, we find that from 1953 to 1954, there was a strong decline in respect of finished products in all countries with the exception of Italy. The trend in regard to pig-iron and semis went the other way, except in France and the Saar, where all imports decreased from one year to the other.

Now, if we compare the statistics of imports with those of deliveries from the other Community countries, we find that in those countries where imports of a particular product are going down, deliveries of the same type of product from other countries of the Community are generally going up.

Thus, for instance, countries like Germany, Belgium, France with the Saar, and the Netherlands, which reduced their imports of rolled products from third countries from 1953 to 1954, increased their purchases of the same products in the other countries of the Community during the same period. Italy, however, whose imports of rolled products varied very little, did not increase its purchases from other Community countries either. In the rolled-products sector, therefore, imports from third countries were replaced by deliveries from the Common Market.

In the pig-iron and semis sector, however, imports from third countries and deliveries from the Community developed along parallel lines. Both increased substantially from 1953 to 1954 in most countries.

71. As regards the countries of origin of imports, Austria, the United Kingdom, Sweden and Norway were the principal suppliers of the Community in Europe. Imports from Austria, following a decline in 1953, exceeded the 1952 level by roughly 40 %.

Imports from the United States remained at the level of the preceding year, *i.e.* slightly below the level of 1952.

Deliveries from Japan, which had increased substantially in 1953, dropped back in 1954 to a level considerably below that of 1952.

Trade within the Community

72. The volume of trade in iron and steel products between the Community countries began to increase towards the end of 1953, a few months after the introduction of the Common Market for steel.

In 1953, which was a slack year, the volume of trade reached 2.8 m. metric tons as against 2.1 m. metric tons in the very active year 1952. The increase amounted to over 33 %.

In 1954, this trade increased still further, in line with the growing activity in the iron and steel industry. The rate of increase over the preceding quarter was 5.4 % in the first quarter, 11.1 % in the second, 11.9 % in the third, and 20.9 % in the fourth. The total volume of trade reached 4.2 m. metric tons, or 50 % more than in 1953, and twice the volume of 1952.

The tonnages of products delivered and received amounted (in terms of crude steel) in 1952 to 5.5 % and in 1954 to 10.4 % of the crude-steel production.

In relation to exports to third countries, whose volume, as we have seen above, has remained fairly constant, trade inside the Community increased from 32 % in 1952 to 63 % in 1954. In other words, out of every 10 tons of steel sold by Community countries outside their national frontiers, roughly 2 1/2 tons were sold to other Community countries in 1952, and roughly 4 tons in 1954.

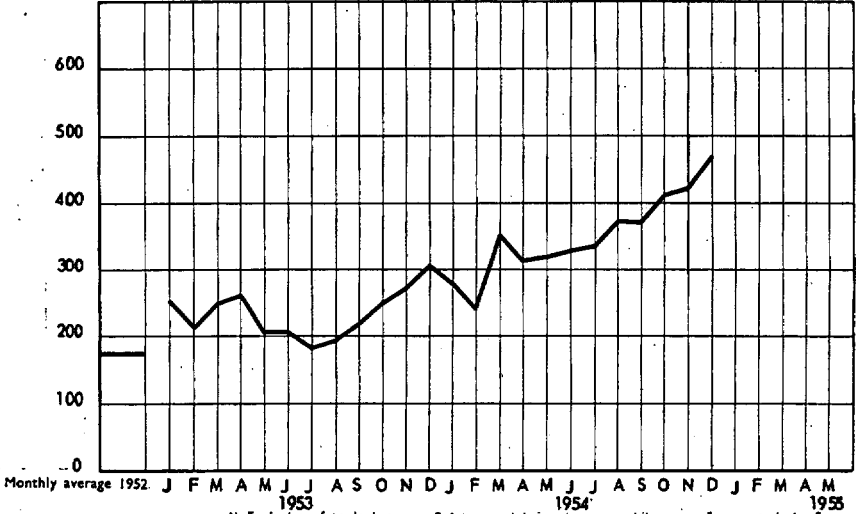
73. Closer examination reveals that all the Community countries had a share in this increase, both as suppliers and as buyers. The outstanding feature of developments in 1954 was the increase in selling opportunities which the German market offered to the industries of France, the Saar, Belgium, Luxembourg and the Netherlands.

In 1954, Western Germany, whose home consumption totalled something like 17 m. metric tons, bought nearly 1.7 m. metric tons from the other countries of the Community, of which 51 % were supplied by France and the Saar, 40 % by Belgium and Luxembourg, and 9 % by the Netherlands.

The Netherlands and Italy, which are essentially importing countries, bought 1.3 m. and 0.5 m. metric tons respectively, as

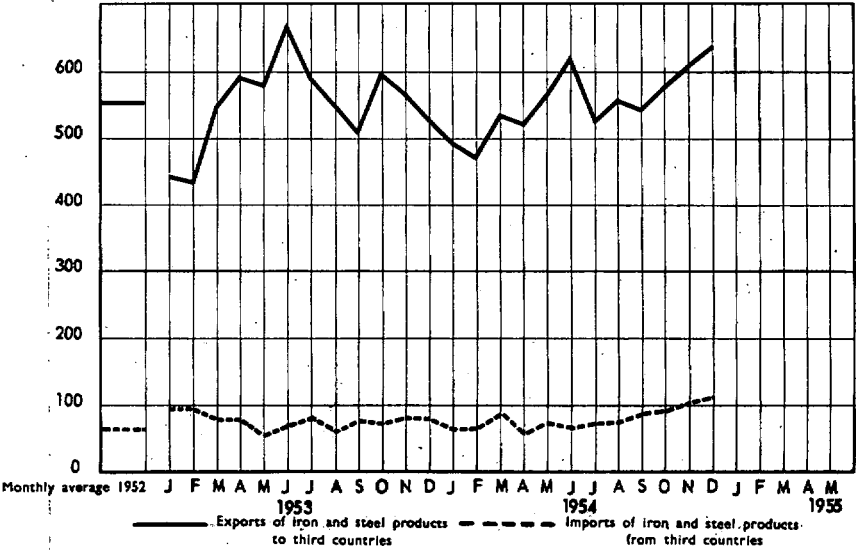
Trade in Iron and Steel Products
between Community Countries and Foreign Trade
with Third Countries

TRADE BETWEEN COMMUNITY COUNTRIES ¹⁾



1) Exclusive of trade between Belgium and Luxembourg, and between France and the Saar

FOREIGN TRADE WITH THIRD COUNTRIES



(In thousands of metric tons)

TABLE 19

Trade in iron and steel products within the Community

(in thousands of metric tons)

Countries of supply	Countries of destination (1)	1952	1953	1954	1954			
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Germany	Belgium & Luxembourg	88.8	129.6	119.2	35.7	28.8	29.4	25.3
	France & Saar	9.6	27.6	104.1	20.4	17.1	28.5	38.1
	Italy	62.4	80.4	139.3	41.4	38.4	30.3	29.2
	Netherlands	141.6	259.2	408.7	96.3	81.0	105.6	125.8
	<i>Total</i>	302.4	496.8	771.3	193.8	165.3	193.8	218.4
Belgium & Luxembourg	Germany	532.8	458.4	665.8	112.8	154.8	177.0	221.2
	France & Saar	14.4	69.6	308.4	60.3	74.7	78.6	94.8
	Italy	135.6	130.8	109.5	19.2	30.6	29.1	30.6
	Netherlands	571.2	580.8	795.3	211.5	178.8	183.3	221.7
	<i>Total</i>	1,254.0	1,239.6	1,879.0	403.8	438.9	468.0	568.3
France & Saar	Germany	243.6	483.6	855.9	136.8	199.8	243.6	275.7
	Belgium & Luxembourg	70.8	148.8	137.8	13.2	11.1	37.2	76.3
	Italy	121.2	220.8	239.4	68.1	61.2	41.7	68.4
	Netherlands	45.6	98.4	71.0	15.0	20.7	17.1	18.2
	<i>Total</i>	481.2	951.6	1,304.1	233.1	292.8	339.6	438.6

Italy	Germany	0.5	1.2	1.93	0.06	0.24	0.66	0.97
	Belgium & Luxembourg ..	0.8	0.0	—	—	—	—	—
	France & Saar	0.1	1.2	3.66	0.0	0.33	0.63	2.7
	Netherlands	1.0	2.4	1.40	0.03	0.54	0.30	0.53
	<i>Total</i>	<i>2.4</i>	<i>4.8</i>	<i>6.99</i>	<i>0.09</i>	<i>1.11</i>	<i>1.59</i>	<i>4.20</i>
Netherlands	Germany	9.6	55.2	154.9	14.4	36.6	51.0	52.9
	Belgium & Luxembourg ..	51.6	42.0	56.3	7.8	15.0	17.7	15.8
	France & Saar	3.6	12.0	26.6	5.4	8.4	6.9	5.9
	Italy	3.6	8.4	17.1	11.1	5.7	0.3	0.0
	<i>Total</i>	<i>68.4</i>	<i>117.6</i>	<i>254.9</i>	<i>38.7</i>	<i>65.7</i>	<i>75.9</i>	<i>74.6</i>
	Grand total	2,108.4	2,810.4	4,216.3	869.5	963.8	1,078.9	1,304.1
	Germany	786.5	998.4	1,678.5	264.1	391.5	472.3	550.8
	Belgium & Luxembourg ..	212.0	320.4	313.3	56.7	54.9	84.3	117.4
	France & Saar	27.7	110.4	442.8	86.1	100.5	111.6	141.5
	Italy	322.8	440.4	505.3	139.8	135.9	101.4	128.2
	Netherlands	759.4	940.8	1,276.4	322.8	281.0	306.3	366.2

(*) Based on delivery statistics (item 681 of the international classification).

against 0.8 m. and 0.3 m. in 1952. The principal suppliers of the Netherlands market were Belgium, Luxembourg and Germany; Italy was mainly supplied by France and the Saar, Germany, Belgium and Luxembourg.

Finally, Belgian purchases from Germany, France and the Saar have increased since 1952, but the tonnage bought in 1954 were below that of 1953. France, which before the introduction of the Common Market used to bring in only small quantities from the other Community countries (27 700 metric tons in 1952) bought 442 800 metric tons in 1954, of which 308 400 metric tons came from Belgium and Luxembourg, and 104 100 metric tons from Germany.

74. This increase in trade between the Community countries represents the first step in the "progressive establishment of conditions which will assure the most rational distribution of production". It was brought about exclusively by the elimination of the most obvious impediments to trade (quotas, Customs duties, dual pricing, etc.), even before the introduction of railway through-rates for iron and steel products, which will not come into operation until May 1, 1956. This improvement in trade is a result of the dual operation of competition between the producers of the six Community countries. Competition gives each one of them access to sources of supply and markets beyond their national frontiers, thus providing scope for bigger trade, which, as has been seen, has been taken advantage of in a large measure. On the other hand, competition acts to some extent as a brake on the actual volume of trade, since the consumers of a particular country can compel their traditional suppliers to align their prices with those of competing enterprises.

The effect of the application of the Common Market rules upon prices cannot very easily be expressed in figures, but it is, nevertheless, a very real one.

Prices

75. As has been seen, the steel market was characterized, from the second quarter of 1954 onwards, by a growing demand which very quickly exceeded readily available supplies. Delivery times became longer and longer, and towards the end of the year, some works refused to clog up their order-books by accepting further orders.

Formerly, such a situation led to sudden heavy price increases for sales outside the national market, as for instance to consumers in countries which today are members of the Community (Italy and the Netherlands). For some countries of destination, the prices of merchant bars had gone up from \$ 50 per metric ton in June 1950 to more than \$ 140 at the beginning of 1952.

The increase in demand in the spring of 1954 did not by any means have such an effect.

In regard to exports to third countries, the Community producers progressively raised their prices for merchant bars from approximately \$ 80 at the beginning of the revival to \$ 100 in February, 1955. Since March 10, 1955, the extras for special sizes, which had remained the same since 1948, have been changed in the case of merchant bars, ordinary joists and broad-flanged beams, as well as of heavy and medium plate. In comparison with the former extras, this increase brings the prices of these products nearer to those charged within the Common Market, although they are still somewhat below that level.

In the Common Market, in which such a strong expansion is for the first time taking place under a system of complete freedom of prices without government control, the level of prices varied very little in the course of 1954. It is true that during this period, the High Authority had authorized an average deviation of 2.5 % above or below published schedule prices. The tendency towards an increase in prices could, therefore, find its expression in variations within this margin. Originally negative, this margin was subsequently reduced in Belgium for heavy and medium plate as from June, and later in other countries and for other products. In October, 1954 it began to change over into a positive margin, particularly in Belgium in respect of merchant bars, sheet and wire-rod.

Following the judgments pronounced by the Court of Justice on December 20, 1954, and the communication made by the High Authority on January 11, 1955, many enterprises published new schedules with higher prices. Since the beginning of February, enterprises have been lodging new price-schedules with the High Authority practically every day.

TABLE 20

Basic prices for main iron and steel products in the Community as at May 20, 1953, and March 30, 1955
(prices in dollars per metric ton exclusive of turnover tax) (1)

	Germany			Belgium			France			Italy			Luxembourg			Netherlands			
	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	20/5/53	30/3/55	
<i>Basic Bessemer steels</i>																			
merchant bars	92.10 O	87.55	91.50	96.00	90.30 T	86.15	/	/	/	/	/	/	90.50	95.00	91.70 U	100.50			
sections	89.85 O	85.35	91.50	95.00	88.85 T	84.70	/	/	/	/	/	/	90.50	95.00					
hot-rolled strip	106.30 O	99.90	100.00	100.00	98.35 T	96.35	/	/	/	/	/	/	99.00	99.50	100.05 Z	97.25			
wire-rod	94.85 O	89.15	91.70	93.00	91.55 T	86.40	/	/	/	/	/	/	87.00	92.00	85.90 Z	93.95			
plate	103.55 E	95.75	104.50	104.00	104.55 M	101.35	/	/	/	/	/	/	104.00	103.50	106.10 VB	96.85			
medium plate	103.55 E	98.40	104.50	104.00	104.55 M	101.35	/	/	/	/	/	/	104.00	103.50	106.10 VB	99.35			
hot-rolled sheet	119.80 S	119.75	125.00	128.00	122.10 M	120.60	/	/	/	/	/	/	122.00	125.05	125.05 VB	126.20			
<i>Open-hearth steels</i>																			
merchant bars	96.25 O	94.40	106.60	111.00	98.85 T	100.25	123.20	121.60	123.20	121.60	121.60	118.40	/	/	97.55 U	102.05			
sections	93.95 O	92.25	106.70	110.00	97.45 T	98.75	121.60	118.40	121.60	118.40	128.00	126.40	/	/					
hot-rolled strip	112.00 O	110.15	115.10	112.00	110.65 T	111.15	126.40	128.00	126.40	128.00	126.40	128.00	/	/	110.65 Z	105.85			
wire-rod	100.35 O	96.00	106.70	105.00	102.85 T	98.65	116.80	121.60	116.80	121.60	116.80	121.60	/	/	98.55 Z	100.00			
plate	109.25 E	106.30	124.50	120.00	117.70 M	115.95	140.80	139.20	140.80	139.20	140.80	139.20	/	/	111.20 VB	104.85			
medium plate	109.25 E	108.00	124.50	120.00	117.70 M	115.95	140.80	139.20	140.80	139.20	140.80	139.20	/	/	111.20 VB	106.65			
hot-rolled sheet	125.50 S	128.45	145.00	140.00	133.25 M	135.60	153.60	163.20	153.60	163.20	153.60	163.20	/	/	130.15 VB	131.25			
<i>Basing-points:</i>	O = Oberhausen E = Essen S = Siegen		Seraing and Charleroi		M = Montmedy T = Thionville		Novi-Ligure (Iva schedule) (2)						Luxembourg		U = Utrecht Z = Zwynndrecht VB = Velsen- Beverwijk				

(1) \$1 = DM. 4.20, Fr. 50.--, Bfr. 350.--, Lit. 6.25, fl. 3.80.

Turnover tax deducted: 20/3/53, 4 % in Germany and the Netherlands,

30/3/55, 4 % in Germany; in the Netherlands 9 % for merchant bars and strip, 8 % for other products.

(2) Prices charged by other works are generally higher.

76. The following table provides a comparison of current prices (end of March, 1955) with those listed in the schedules published on the introduction of the Common Market for steel in May, 1953.

77. The boom which the iron and steel industry is at present enjoying has brought about a general tendency for prices to rise, but this has made itself felt only gradually. Actual price increases have been on a much more moderate scale than in the past.

This would seem to be due mainly to the existence of the Common Market, and to the application of the rules concerning publication of price-schedules and non-discrimination. In so far as the experience of only a few months enables us to judge, the link-up, though incomplete, of markets which not so long ago were still separated by national barriers makes it possible to even out, in both space and time, fluctuations which have in the past been so extensive and abrupt as to be harmful to consumers, producers and, ultimately, to the national economies as a whole.

SPECIAL STEELS

78. The Common Market for special steels was introduced on August 1, 1954; the decisions taken in this connection were referred to in the *Report on the Situation of the Community*, published in November 1954. (1)

It is not yet possible to provide statistics of any value on production and trade, as these data have hitherto been compiled on totally different lines in each country. Some countries adhere strictly to the definitions in Annex III of the Treaty, despite the difficulties they encounter in adapting them to the usual commercial definitions; others have retained the traditional definitions. It was, therefore, considered necessary to break away completely from Annex III, which had served its purpose as a time-table when the Common Market for all special steels was introduced on August 1, 1954.

(1) Nos. 36 to 50.

As soon as this fundamental problem has been solved, it will be necessary to lay down a precise and uniform nomenclature for special steels and their various groups, for use within the Common Market. To this end, representatives of the producers held discussions with the relevant departments of the High Authority in November 1954 and February 1955.

79. We come up against the same difficulties when trying to arrive at useful comparisons in regard to prices.

On the whole, the prices of special steels appear to have remained fairly stable since the introduction of the Common Market.

As for alloy constructional steels, for which certain national standards are the same in several Community countries, thus providing a basis for comparison, we find, on the whole, that the Belgian prices are still the lowest and those of the Saar the highest.

In regard to high-carbon steels, an examination of the prices (exclusive of tax) of some qualities which are comparable between one country and another, reveals that Italian prices are by far the highest, followed immediately by the Belgian prices. In the other countries, price differences vary according to degrees of quality.

IRON ORE

80. With the revival in the iron and steel industry, pig-iron production has been increasing steadily since Spring 1954, rising from 2.5m. metric tons in April to 3.1m. in December. For the whole year, it reached 33.1m. metric tons, as against 31.5m. in 1953.

Iron-ore consumption (irrespective of differences in iron content) increased from 5.5m. metric tons per month in the first quarter to 6.8m. in the fourth, which amounts to a production of 72.3m. metric tons for the whole year, as against 70m. in 1953 and 77.4m. in 1952.

However, this increase in iron-ore consumption from 1953 to 1954 created no difficulties, since stocks had been accumulating in the course of 1953 and during the first quarter of 1954 (6m. metric tons at the end of July), and available supplies had gone up parallel with requirements.

The saleable production of iron ore, which had remained stationary during the first quarter of 1954, at a monthly average of 4.9m. metric tons, rose to 5m. in the third quarter and 5.5m. per month from October 1954 to January 1955. This increase comes mainly from the mines in Lorraine, where the new equipment provided for under the first modernization programme is now in operation.

Imports reached 12.6m. metric tons in 1954, as against 14.2m. in 1953 and 13.5m. in 1952. They are largely made up of German and Belgian imports from Sweden.

Allowing for the relatively small exports, availabilities increased from 5.6m. metric tons per month in the first quarter to 6.6m. in the fourth quarter.

TABLE 21
Iron-ore production in the Community ⁽¹⁾

(in thousands of metric tons)

	Germany	Belgium	France	Italy	Luxembg
1952	12,924	132	40,716	828	7,248
1953	10,385	100	42,444	978	7,169
1954	9,705	81	43,823	1,092	5,885

(¹) Saleable production, irrespective of differences in iron content.

TABLE 22
Availabilities and consumption

(in thousands of metric tons)

	Pro- duction	Imports	Exports	Availa- bilities	Con- sumption
1952	61,848	13,496	559	74,785	77,388
1953	61,076	14,235	585	74,726	70,157
1954	60,586	12,583	678	72,491	72,350 (¹)

(¹) Estimate.

81. It was so much easier to establish this balance between requirements and availabilities as the Common Market makes the iron-ore production accessible to all the consuming works, which are concentrated in a small number of areas.

Deliveries from the producer countries, among which France takes first place, to the other countries of the Community have increased since the introduction of the Common Market; they rose from 9.4m. metric tons in 1952 to 10.5m. in 1953 and 10.8m. in 1954 (2.5m. metric tons in the first quarter and 2.9m. in the fourth).

Sales by French mines to Belgium and Luxembourg reached 10.3m. metric tons in 1954, as against 9m. in 1953 and 8.4m. in 1952. On the other hand, shipments by mines in Western France and Luxembourg to Germany dropped overall, from 814 000 metric tons in 1952 to 608 000 in 1953

TABLE 23

Iron-ore trade within the Community

(in thousands of metric tons)

	1952	1953	1954	1954			
				1st. qtr.	2nd qtr.	3rd qtr.	4th qtr.
<i>Countries of supply:</i>							
Germany	52.8	58.8	53.9	8.5	15.2	16.3	13.9
Luxembourg :	445.2	882.0	126.9	34.0	32.6	27.9	32.4
France	8,906.4	9,529.2	10,647.8	2,454.0	2,609.5	2,735.4	2,848.9
<i>Total (1) :</i>	9,404.4	10,470.0	10,828.6	2,496.5	2,657.3	2,779.6	2,895.2
<i>Countries of destination :</i>							
Germany	813.6	608.4	342.5	108.2	110.5	75.8	48.0
Belgium							
Luxembourg	8,395.2	9,001.2	10,261.6	2,334.7	2,489.5	2,659.6	2,777.8
France with the Saar . . .	62.4	672.0	78.6	17.8	25.8	20.6	14.4
Italy	1.2	1.2	1.5	0.4	0.2	0.5	0.4
Netherlands . .	132.0	187.2	144.4	35.4	31.3	23.1	54.6
<i>Total :</i>	9,404.4	10,470.0	10,828.6	2,496.5	2,657.3	2,779.6	2,895.2

(1) Estimates based on deliveries.

and 342 000 in 1954. This drop is partly due to transport conditions which make it more advantageous to import very high-grade ore than to buy a leaner ore on which the costs of transport work out very high.

82. The prices of iron ore from Lorraine had dropped by roughly 10 % at the beginning of 1954. As supply and demand had been balanced, the prices scarcely changed after that. However, at the beginning of 1955, two mines in Western France raised their prices by 5 %.

This stability of prices is, moreover, explained by the various close links which exist between the majority of the iron-ore mines and the ore-consuming iron and steel works.

SCRAP

83. While the expansion in the iron and steel industry did not lead to any supply difficulties in regard to iron ore, it did cause a tension in the scrap market towards the end of 1954 and at the beginning of 1955.

This development is explained not only by an absolute increase in requirements, which is a logical result of the rise in steel production, but also by a relative increase which, in its turn, is determined by two factors, viz. the growing production of open-hearth and electric-furnace steel in relation to the total steel production (48 % in 1954, as against roughly 44 % in 1952), and the increased input ratio, i. e. the percentage of scrap used per ton of pig-iron or steel.

Compared with this increase in requirements, scrap resources are relatively inelastic. While it is possible, in times of a growing demand, to intensify scrap collection, and while the enterprises' own arisings increase with the growing production of steel, availabilities of bought scrap are directly dependent upon steel products put on the market some 15 years ago. At that time, however, production in the Community

countries was 25 % and that of the whole world 50 % below today's production.

In spite of this general tendency, from whose long-term effects there is no escape, the balance between the scrap resources and requirements in the Community countries has so far not been upset, as it has been possible to make up the deficiency by increasing imports.

84. Scrap consumption amounted to 21.2m. metric tons in 1954 (4.9m. in the first quarter and 5.8m. in the fourth), as against 18.3m. in 1953 and 20.4m. in 1952.

85. Enterprises' own arisings increased from quarter to quarter, as a result of the rise in steel production during 1954, and reached a total of 11.4m. metric tons, as against 10.4m. in 1953 and 9.9m. in 1952.

On the other hand, the tonnages bought on the market remained relatively small up to the fourth quarter and were, for the whole year, 17 % below the level of 1952. The ore-consuming enterprises, considering their stocks adequate, sat tight until they had to return to the market in their own country and the other Community countries with a view to building up their stocks. The Italian iron and steel industry in particular tried to step up its scrap purchases in Germany, and the German iron and steel industry looked to the Netherlands for supplies.

Imports from third countries had, since December 1953, dropped almost to nil, as consumers chose to obtain their supplies in the Community rather than pay the higher prices for imported scrap. In April 1954, the Joint Office of Scrap Consumers decided to resume imports from third countries (1).

Total availabilities amounted to 20.7m. metric tons in 1954 (4.6 for the first quarter and 5.9 for the fourth), as against 19m. in 1953 and 20.6m. in 1952.

(1) The Joint Office was established in March 1953. See *Second General Report on the Activities of the Community*, April 1953, No. 85.

86. The final balance-sheet presented the following overall picture :

TABLE 24

Scrap resources of the iron and steel industry in the Community

(in thousands of metric tons)

	Enter-prises' own arisings	Pur-chases within the Com-munity	Imports from third countries	Availa-bilities	Con-sump-tion	Stocks at works at end of period
1952	9,868	10,283	450	20,601	20,359	1,349
1953	10,373	7,891	497	18,761	18,349	2,080
1954	11,391	9,601	683	21,675	21,170	1,650
1st quarter	2,646	1,975	13	4,634	4,871	1,875
2nd quarter	2,673	2,167	8	4,848	5,119	1,603
3rd quarter	2,972	2,195	97	5,264	5,359	1,529
4th quarter	3,100	3,264	565	6,929	5,822	1,650
1955						
January ..	1,015	704	203	1,922	1,916	1,679

TABLE 25

Scrap purchases by the iron and steel industry of the Community from other Community countries

(in thousands of metric tons)

	1952	1953	1954	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954	4th qtr. 1954
Germany	128.8	0.9	6.0	48.9	73.0
Belgium	82.2	7.8	34.5	32.7	7.2
France/Saar	45.7	2.1	—	16.8	26.8
Italy	916.5	259.8	275.4	230.7	150.6
Luxembourg	22.0	0.3	0.3	8.4	13.0
Netherlands	22.3	7.5	0.6	8.4	5.8
Community :	432.0	1,062.0	1,217.5	278.4	316.8	345.9	276.4

87. This account of the scrap market in terms of resources and requirements is not in itself enough to explain the apprehensions which arose at the end of 1954 and the beginning of 1955.

As a result of the boom conditions now prevailing in the steel market, which seem likely to continue throughout

1955, demand is being swelled by speculative factors, including the fear of supply difficulties (notably uncertainty in regard to possibilities for importation) and the risk of rises in price.

On the supply side, the same factors are making for a growing scarcity of scrap.

In some countries, like France and the Netherlands, the regional balance of the market is being disturbed by the prices offered by buyers from other countries of the Community.

88. In March 1954, the High Authority abolished the system of fixing maximum prices, which was introduced in March 1953. The price had dropped to 26 dollars, or 28 dollars delivered to the consumer. Since then, the price has gone up from 28 dollars in June to 32 dollars in September and 38 dollars in January 1955. On the French market some marginal tonnages were offered, last January, at between 44 and 48 dollars.

The compensation price for imported scrap, which was fixed at 30 dollars last August, no longer served its purpose. In the event of a tension in the market, it was to induce the countries with short supplies to import from third countries, so as to prevent the demand in the Common Market from becoming too strong in relation to availabilities. Some buyers, who were apprehensive of the future, decided to buy marginal tonnages in the Community at high prices. But as the compensation price had meanwhile become too low, the average between the quantities imported at the low compensation price and the marginal quantities bought at high prices within the Community still left an acceptable price.

89. In view of this difficult situation, the High Authority considered it necessary to take action, while preparing long-term measures designed to solve a problem which the present situation has brought to light more sharply, but whose causes are more deeply rooted and of more enduring effect ⁽¹⁾.

(1) See Nos. 115 and 116 below.

Section 2 : Application and Reconsideration of Decisions

90. In pursuance of its ongoing task of establishing the Common Market, the High Authority has for the past year been having to take fresh decisions in connection with the coal market (pricing arrangements for the coal year 1955-56, progressive elimination of subsidies and other practices which had been temporarily authorized, review of the compensation scheme for Belgium and Italy), the steel market (checking the application of the Treaty rules), and the scrap market.

COAL**PRICING ARRANGEMENTS**

91. The Treaty provides for the fixing of maximum prices where such a measure is necessary for the achievement of the objectives set forth in Article 3, in particular in paragraph c) of that article, i.e. "seek the establishment of the lowest possible prices", under conditions therein laid down. The High Authority considers that this is necessary where, when all circumstances bearing on prices are taken into account, it may be deemed, at the time of adopting the decision, that were maximum prices not to be fixed, prices would develop in a manner irreconcilable with the objective just quoted.

92. At the beginning of the coal year 1954-55, the High Authority, in an endeavour to decide whether it was or was not advisable to fix maximum prices, gave some consideration to the fact that, in the structure of the Common Market, genuine competition was to some extent hampered by the selling system in the Rhur coalfield, the trading methods between Community countries, and the international transport rates still in force.

Basing itself on its conclusions in the matter, it then fixed maximum prices for the Rhur and Nord/Pas-de-Calais coalfields ⁽¹⁾.

⁽¹⁾ Decisions Nos. 18/54, 19/54 and 20/54 of March 20, 1954. *Official Gazette of the Community*, March 24, 1954.

The Government of the Netherlands lodged an appeal that these decisions be reversed, and the Court of Justice was thereupon required to examine whether they were good in law. In its judgment of March 18, 1955, published on March 21, the Court found that the repercussions on prices resulting from the structure of the Common Market were in themselves sufficient to justify the fixing of maximum prices for the coal year 1954-55. It, therefore, dismissed the appeal of the Netherlands Government.

93. In the spring of 1955, the High Authority had once more to determine the pricing arrangements for the new coal year.

In accordance with the Treaty, it joined with the enterprises and associations of enterprises in undertaking the necessary examination of the subject, and subsequently consulted the Consultative Committee and the Council of Ministers with regard, in particular, to the advisability of introducing a maximum-price system and the price-level to be thereby arrived at.

94. In seeking to determine whether such measures were advisable, the High Authority bore in mind

- the estimated availabilities and requirements of the Community, inclusive of trade with third countries;
- the movements of CIF prices of coal from third countries compared with Community coal at the chief import points;
- the conditions of competition arising out of the structure of the Common Market.

The Consultative Committee was almost equally divided for and against the fixing of maximum prices. The Council of Ministers, on the other hand, was in favour of retaining a maximum-price system.

The High Authority considered that the conditions set forth in the Treaty for the fixing of maximum prices were forthcoming. Desirous, however, of confining itself to such action as was strictly necessary, the High Authority regarded it as adequate for the purpose to fix such prices only for the Ruhr coalfield.⁽¹⁾

(1) Decision No. 12/55, of March 26, 1955. *Official Gazette of the Community*, March 28, 1955.

95. There was also examination and consultation in connection with the price-level to be thus fixed, and the enterprises in the Rhur expressed the desire to raise their prices by an average DM 2.50 per metric ton.

Here again the Consultative Committee was divided: the producers one and all demanded that the price-level be raised, while the consumers and workers for the most part abstained, or voted for the retention, or even reduction, of the then prevailing level. On the Council of Ministers, five governments asked for the existing level to be maintained, and one abstained.

The High Authority had in another connection to study, on the basis of the centralized figures of the *Unternehmensverband-Ruhrbergbau*, the position as regards the costs and takings of the Ruhr collieries.

In the light of its findings on this point, and of subsequent consultations, while at the same time bearing in mind all the factors which it was obliged under the Treaty to take into consideration, the High Authority considered that there existed, at the time of fixing maximum prices, no reason for altering the prevailing level of prices. The maximum prices fixed in March 1954 were, therefore, retained.

MODES OF QUOTATION FOR ZONE-DELIVERED PRICES

96. Enterprises are entitled, under Article 60 of the Treaty, to allow rebates on their scheduled prices by aligning them with offers by a competing enterprise. This is more or less common practice in the steel market. In the coal market, however, it is still forbidden. The point is to avoid, during the introductory period of the Common Market, any disturbances in the enterprises' working conditions and in the general flow of trade.

In March 1954 the High Authority extended its previous decision indefinitely ⁽¹⁾. It was not called upon to reconsider this during the year under review.

The coalmining enterprises are, therefore, still obliged to charge the prices in their schedules when selling in the Common Market.

(1) See *Second General Report*, No. 55.

97. To apply these provisions without any exception at all would, however, undoubtedly result in rigidity in the coal market, and might even prevent enterprises from marketing their production at all. This would, ultimately, be detrimental to the development of the Common Market, which seeks not only to step up trade in coal between member countries; but also to enable consumers to obtain their supplies from those sources of production which, from the economic point of view, are most advantageously situated.

For this reason, the High Authority allowed a number of exemptions from the ban on alignment rebates, falling under various heads:

- zone-delivered prices, authorized for coalfields in certain selling areas, in the form of more or less standard rebates for particular types of coal;
- direct exemptions, *i.e.* authorization of alignment in cases where the conditions prescribed for the establishment of zone-delivered prices are not present;
- alignments for sales of Belgian coal in the Common Market, in application of the provisions in the Convention relating to the Belgian compensation scheme ⁽¹⁾;
- alignment with quotations by enterprises outside the Community ⁽²⁾.

The charging of zone-delivered prices is the commonest of these practices. The High Authority did, however, in March 1955 authorize a direct exemption in connection with sales by the Nord/Pas-de-Calais coalfields to Germany and the Netherlands.

98. The High Authority extended to cover the whole coal year 1955-56 its decisions concerning the zone-delivered prices of coalfields whose sales do not appear to be affected to any marked extent by the alterations in the transport conditions within the Common Market during this period ⁽³⁾, namely,

- the Aachen (Aix-la-Chapelle) coalfield, for sales to Germany (though in a reduced zone), until such time

⁽¹⁾ See Nos. 108 and 109 below.

⁽²⁾ See No. 53 above.

⁽³⁾ Decisions Nos. 7/55, 5/55, 6/55 and 9/55, of March 23, 1955. *Official Gazette of the Community*, March 28, 1955.

as it shall have organized its outlets towards the western part of the Community;

- the Lower Saxony coalfield, which can only market its production provided its less productive collieries are able to align their prices with those of the Ruhr for sales to Northern Germany and the Netherlands;
- the Helmstedt lignite coalfield, for sales to certain (reduced) areas of the Common Market;
- the Lorraine coalfield, for sales to Western France.

99. For coalfields whose sales may be affected by the introduction of international railway through-rates with effect from May 1, 1955, the High Authority extended its previous decisions on zone-delivered prices (1), only for a period of two months, up to May 31. This applies to

- the Lorraine and Saar coalfields, for sales to Southern Germany;
- the Belgian coking-plants, for sales to Belgium, Luxembourg and the French departments of Moselle and Meurthe-et-Moselle.

A similar decision was taken in regard to the Saar coalfield, which submitted a request for the extension of its selling zones, at present still under examination (2).

100. Finally, in view of the difficulties at present confronting the Nord/Pas-de-Calais coalfield owing to the accumulation of stocks of *charbon maigre* (low-volatile coal), consumption of which in the thermal power-stations dropped in consequence of a plentiful hydro-electricity supply, the High Authority granted this coalfield a direct exemption from the decision banning rebates. This was decided upon as an exceptional measure, after consultation with the Consultative Committee, with a view to averting an abnormal falling-off in employment in the coalfield concerned, when there were, in fact, open-

(1) Decisions Nos. 8/55 and 11/55, of March 23, 1955. *Official Gazette of the Community*, March 28, 1955.

(2) Decision No. 10/55, of March 23, 1955. *Official Gazette of the Community*, March 28, 1955.

ings for the marketing of *charbon maigre* in Germany and the Netherlands. The exemption is applicable only to strictly-defined tonnages and selling areas, and is of limited duration ⁽¹⁾.

SUBSIDIES

101. Ever since the High Authority first assumed its duties, the member States have been under obligation to inform it of all assistance and subsidies whatsoever furnished to the coal and steel industries in their countries, and any special financial charges imposed upon them.

The High Authority has done its utmost to ensure that such practices shall be done away with as quickly as possible, though at the same time in such a manner as to avoid any serious disturbance in the economic and social affairs of the various countries.

TABLE 26

Progressive reduction of subsidies authorized in France ⁽¹⁾

	1953			1954		
	Total amount	Ton-nage subsidized	Sub-sidy per metric-ton	Total amount	Ton-nage subsidized	Sub-sidy per metric-ton
Fines delivered to briquetting-plants on seaboard	4,654.6	1,652	2,817	3,241.3	1,676.9	1,933
(inc. of coal from third countries)	(762.8)	(280)	(2,724)	(969.7)	(642.7)	(1,509)
Coking coal for iron and steel industry	3,930.9	2,980.5	1,352	3,244.1	3,082.6	1,053
Coke for iron and steel industry	1,253.5	3,128.8	401	182.6	1,281.1	143
Saar and Lorraine coal sold to S. Germany	3,486.0	4,467.8	780	3,287.9	4,422.4	743 ⁽²⁾
				(²)		
<i>Total</i>	13,325,0			9,955.9		

⁽¹⁾ Amounts in millions of French francs ; tonnages in millions of metric tons ; subsidy per ton in French francs.

⁽²⁾ Estimated figures.

(1) Decision No. 4/55, of March 14, 1955, applicable up to and including May 15, 1955. *Official Gazette of the Community*, March 16, 1955.

All special charges were abolished as from April 1, 1954. Where subsidies had to be temporarily retained, the High Authority made arrangements in most cases for the amounts to decrease automatically in proportion as the conditions justifying their maintenance gradually disappear.

Apart from the special problems presented by Belgium and Italy (1); the only member State where there are still government subsidies is France. Even these have, however, gone down very considerably since the introduction of the Common Market. Furthermore, as the object of some of them is to offset differences in delivered prices, so that they are closely associated with developments in transport conditions, the High Authority feels that the introduction of international railway through-rates is bound to hasten the abolition of these transitional provisions.

102. The following subsidies were temporarily authorized:

- a subsidy on coking coal from other Community countries, to reduce the delivered price of such coal to a level in line with that of Lorraine and Saar coal, this subsidy to be regarded in future as made up of two components: firstly, a coking bonus payable not, as heretofore, on the basis of the tonnage of coking coal imported, but on the throughput tonnage, so as to encourage the use of Saar and Lorraine coal in the coking mixture, and secondly, a residual subsidy, to be gradually done away with as delivered prices alter (2);
- a subsidy on smelting coke from other Community countries, already almost entirely eliminated, and due for reconsideration after the introduction of the through-rates (2);
- a subsidy for briquetting-works not owned by mines, extended up to and including May 31, 1955 (3);
- a subsidy on Saar and Lorraine coal sold to Germany, also extended up to and including May 31, 1955 (3).

(1) See Nos. 105-111 below.

(2) Letter of March 5, 1955, to the French Government. *Official Gazette of the Community*, March 16, 1955.

(3) Letter of March 23, 1955, to the French Government. *Official Gazette of the Community*, March 28, 1955.

COMPENSATION ARRANGEMENTS

Netherlands

103. The High Authority, in March 1954, again authorized a compensation scheme by which Netherlands consumers were to pay one set price for each grade of coal, regardless of origin or destination. As from March 31, 1954, this scheme applied to household grades only. Since the Netherlands Government was willing to abolish it altogether at the end of the winter, the High Authority extended its authorization up to and including April 30, 1955 (1).

Luxembourg

104. Even before the introduction of the Common Market, there existed in Luxembourg an Import Office for solid fuels, and a compensation scheme for reducing the price of household coal by means of a levy on fuels purchased by industry.

After numerous discussions with the Luxembourg Government and other interested parties, the High Authority decided that the monopoly held by the Import Office was incompatible with the provisions of the Treaty (2). The government was given up to May 31, 1955, to take the necessary action.

As to the compensation scheme, the High Authority considered that it did not contravene the Treaty: firstly, such a scheme does not constitute a "special charge" (Article 4, c), but is a general charge on the industry as a whole; secondly, the scheme does not involve discrimination between Luxembourg consumers and consumers in other countries; lastly, the levy of Bfr 8.— per metric ton of coal consumed by Luxembourg industry does not seem to have involved that industry in any "serious disequilibrium" within the meaning of the Treaty.

The Grand Ducal Government lodged an appeal before the Court of Justice against the High Authority decision declaring the work of the Import Office incompatible with the Treaty. Certain industrial organizations in Luxembourg have also appealed against the tacit decision in respect of the compensation scheme.

(1) Letter of March 23, 1955, to the Netherlands Government. *Official Gazette of the Community*, March 28, 1955.

(2) See No. 135 below.

BELGIAN COLLIERIES

105. As was noted in the *Report on the Situation of the Community* published in November 1954, the High Authority, in February 1954, set up a joint committee, consisting of representatives of its own and of the Belgian Government, to examine the methods and results of the compensation scheme established when the Common Market was introduced (1).

106. The present system provides for the fixing of an "account-schedule" and a "sales-schedule". The former serves as a basis for calculating payments to the collieries in proportion to their deliveries; the latter determines the price to be paid by the purchaser of Belgian coal. The difference between the account-schedule and the sales-schedule is covered by compensation.

When the Common Market for coal was introduced, the account-schedule was drawn up in such a way as to enable the Belgian collieries to retain the same takings as before. Thus they were treated in the same way as collieries in other coalfields, for which the High Authority fixed maximum prices on exactly the same basis upon the introduction of the Common Market for coal.

The essential task of the joint committee was to discover what results had been achieved through the compensation scheme towards the integration of the Belgian collieries into the Common Market, and what measures required to be taken, on the basis of these results, to implement the objectives set forth in the Convention containing the Transitional Provisions.

107. At the end of September of last year, the committee's report was submitted to the High Authority and to the Belgian Government. It contains a number of draft recommendations to be sent to the Belgian Government in connection with possible financial assistance, in the form of low-interest or medium-term loans, and with various measures designed to encourage the financing of the construction or extension of pithead power-stations with the object of increasing the consumption of low-grade fuels. On the other hand, it recommends changes in the working of the compensation scheme, consisting chiefly in excluding from compensation those types and grades of coal which can already be marketed at the Common Market price,

(1) See *Report* of November 1954, No. 52.

and in reducing subsidies for enterprises working under conditions which enable the coal they produce to be integrated into the Common Market with minor assistance from the compensation fund.

Since then, discussions regarding these recommendations have been started with the Belgian Government, which has in its turn suggested certain alterations to the High Authority. The producers and consumers have expressed their own views.

At the end of March 1955, the High Authority informed the Belgian Government of its opinion on the question as a whole. It is now awaiting the Belgian reply. When it has received and noted this, it will be in a position to take the necessary decisions regarding the fixing of new selling prices, and the amount to be paid in compensation on the various grades of Belgian coal. It calculates that these measures can be introduced during April 1955. It was for this reason that it extended the validity of the present account and sales schedules for one month, up to and including April 30, 1955 ⁽¹⁾.

108. Compensation payments on Belgian coal from March 15, 1953, to the end of March 1955, totalled:

TABLE 27

Compensation payments in respect of Belgian coal

(in millions of Belgian francs)

	1953 March 15 - Dec. 31	1954 Jan. 1 - Dec. 31	1955 Jan. 1 - March 31	Total
<i>Sales of Belgian coal in Belgium</i> (Section 26, 2, a) :				
— High Authority contribution	406,0	516,7	44,3 ⁽¹⁾	967,0
— Belgian Government contribution	406,0	516,7	44,3	967,0
<i>Sales of Belgian coal in other Community countries :</i> (Section 26, 2, c)				
— High Authority contribution	47,4	127,6 ⁽²⁾	..	175,0
— Belgian Government contribution	47,4	127,6	..	175,0
<i>Total</i>	906,8	1.288,6	88,6	2.284,0

⁽¹⁾ Payment in respect of January 1955.

⁽²⁾ Payments in respect of 11 months January-November, 1954.

⁽¹⁾ Decision No. 13/55, of March 26, 1955. *Official Gazette of the Community*, March 28, 1955.

109. As regards the sales of Belgian coal in other Community countries, the tonnages benefiting from compensation are shown below.

TABLE 28

Authorized quotas and actual deliveries of Belgian coal benefiting from additional compensation

(in metric tons)

	Countries of Destination						Total	
	Italy		Netherlands		Germany		Quo- tas	Deliv- eries
	Quo- tas	Deliv- eries	Quo- tas	Deliv- eries	Quo- tas	Deliv- eries		
1953								
June	—	62,417	—	7,456	—	—	—	69,873
3rd qtr.	400,000	263,412	300,000	243,399	—	—	700,000	506,811
4th qtr.	300,000	132,937	400,000	333,115	—	—	700,000	466,052
1954								
1st qtr.	300,000	143,823	500,000	376,904	100,000	—	900,000	520,727
2nd qtr.	300,000	157,614	500,000	477,805	—	—	800,000	635,419
3rd qtr.	300,000	174,566	425,000	426,463	—	—	725,000	601,029
4th qtr.	300,000	107,225	650,000	664,071	220,000	141,404	1170,000	912,700
1955								
1st qtr.	300,000 (1)	..	725,000	..	400,000 (1)	..	1350,000	..

(1) A reduction of the quotas for Italy and Germany is envisaged, up to the additional tonnage authorized for the Netherlands over and above the 650 000 metric tons of the preceding quarter.

ITALIAN MINES AT SULCIS

110. The assistance payable by the Community, in accordance with the Convention, to enable the mines at Sulcis, Sardinia, to withstand competition in the Common Market is limited to two years. This period came to an end on March 14, 1955.

The reorganization programme drafted by the Italian Government was submitted to the High Authority in October 1954. The High Authority sent a mission to Sulcis to examine the technical, economic and social position there as a whole. The coalfield produces approximately 1 m. metric tons of coal per annum, with a very low rate of output, but employs 11 000 workers and affords a livelihood to some 50 000 people.

The High Authority mission in particular studied the opportunities for marketing Sulcis coal, within the framework of

Italian energy requirements as a whole. These outlets determine the possibilities for increasing output and lowering production costs, which are inseparable from the problem of employment.

The Italian Government has further applied to the High Authority for assistance in the retraining of 1 500 miners.

111. Pending the final settlement of compensation for the two years 1953-54 and 1954-55, the High Authority, in March 1955, paid out a fresh advance of Lit. 800m., bringing the total amount remitted to Lit. 3 150m.

STEEL

PUBLICATION OF IRON AND STEEL PRICE-SCHEDULES

112. Upon appeals lodged by the French and Italian Governments, the Court of Justice, by a judgment of December 20, 1954, reversed Article 1 of the High Authority's Decision No. 2/54. Under this article, iron and steel enterprises were authorized to charge prices up to 2.5% above or below their published prices without being required to publish fresh schedules, this difference to be computed over a period of sixty days. By the same judgment, the Court dismissed petitions on other points.

After the Court had delivered judgment, the High Authority, in a notice published in the *Official Gazette of the Community* (1), restated the various aspects of the regulations in force. At the same time, it rescinded Decision No. 3/54, concerning information to be furnished by enterprises, since this was no longer necessary.

113. The checks started in February 1954 were continued. By a decision of February 3, 1955, implementing Article 64 of the Treaty, the High Authority fined two enterprises in the Community for selling under irregular conditions. The enterprises paid their fines within the time-limit prescribed.

The High Authority further sent warnings to four more enterprises.

(1) *Official Gazette of the Community*, No. 1, January 11, 1955.

SPECIAL STEELS

114. In September 1954, that is, a few weeks after the introduction of the Common Market, the High Authority called a meeting of producers to examine whether the obligation to publish price-schedules might be extended to cover qualities not listed in Decision No. 37/54.

The producers were somewhat doubtful, and gave it as their view that it would be exceedingly difficult to establish comparability for such steels.

A second meeting was held in November, but despite the anxiety of the Italian producers that the obligation to publish schedules should be extended to as many qualities as possible, no agreement was reached on this point.

SCRAP

115. Since the beginning of 1955, the High Authority has been engaged in the studies and consultations required to deal with the situation in the scrap market which was described in an earlier section of this Report (1).

First of all, to avoid any break in the flow of imports from third countries, the High Authority, with the unanimous agreement of the Council of Ministers, extended the compensation scheme for imported scrap from March 31 to June 30, 1955 (2).

As regards the basic problem, the French Government and certain other quarters directly concerned were of the opinion that the situation in the Common Market was one of shortage, and recommended the application of the measures specified in Article 59 and Annex II of the Treaty. As the French Government felt that, in the prevailing circumstances, the sacrifices involved were not adequately offset, it could hardly agree to the renewal of the compensation arrangements for a further term unless the mode of operation were revised.

(1) See Nos. 83-89 above.

(2) Decision No. 2/55, of January 26, 1955. *Official Gazette of Community*, January 31, 1955.

The governments and consumer industries of other Community countries, however, regarded the difficulties as being due chiefly to psychological factors, and not to a disequilibrium between actual requirements and actual availabilities. Viewed from this angle, the situation did not, to their mind, justify the application of the measures referred to. The German and Italian Governments in particular queried the advisability, from their point of view, of accepting the extension of the compensation arrangements as part of a system were to be introduced. At the same time, it was immediately apparent that the compensation scheme for imported scrap was the linchpin of the scheme for allocating scrap under the emergency system.

Further to this point, it was wondered whether it would not be desirable to reintroduce into the Common Market for scrap the maximum-price system provided for in Article 61 of the Treaty.

116. Detailed study by the High Authority of the scrap problem as a whole revealed that it was structural in character, and could be definitely solved only on a long-term basis, within the framework of a series of measures aimed at increasing the production capacity for those qualities of pig-iron which could be profitably substituted for scrap in the production of steel.

Without losing sight of this long-term programme, the High Authority applied itself particularly to the working-out of measures for meeting the immediate difficulties.

Hence, between the application of the provisions in Article 59 and Annex II of the Treaty, which is realized to be impossible in practice without compensation arrangements, and the other extreme of freeing the scrap market altogether, which in the circumstances would have been the worst possible thing to do, the High Authority felt obliged to suggest a compromise, whereby it proposed to the Council of Ministers that, under Article 53, b of the Treaty, the compensation arrangements should be extended for a further twelve months and at the same time reorganized as follows:

- tightening-up the control exercised by the High Authority over the work of the bodies in Brussels administering the compensation scheme;

— settling the supplementary tonnages to be imported, and granting compensation in accordance with the balance-sheet of requirements and availabilities based on recent references, and with the following schedule of priorities:

- a) meeting actual requirements of the consumers,
- b) correcting, retrospectively, any discrepancies between estimates and realities,
- c) building up stocks;

— authorizing the Brussels offices to keep at their disposal, for the use of consumers to be designated later, a reserve of scrap to be imported, in order that retrospective corrections might be carried out as quickly as possible.

The introduction of these measures must not result in a slackening in the efforts which are necessary to reduce scrap consumption in steel-making in the very near future by exploiting more fully the reserve capacity still available in the Community for the production of pig-iron.

In order to encourage such economization, the High Authority at the same time proposed to the Council the study of a compensation system for offsetting any disadvantage represented by a difference in price between pig-iron and scrap.

At their session of March 21 and 22, 1955, the Council of Ministers and the High Authority laid down the general principles listed below, upon which the overall scrap policy is to be based.

- 1) — The level of purchase prices to be adequate to maintain a high level of scrap recovery.
- 2) — The cost of scrap to the steel producer (= purchase price + compensation charge) not to exceed a level reasonable in comparison with that actually borne by steel producers in the chief competing countries.
- 3) — In order not to overburden the production costs of the Community as a whole, and in particular the net charge borne by certain areas of the Community under the compensation scheme, compensation levies are not to be raised without very good cause.

- 4) — Endeavours to increase imports and achieve a reasonable price-level must not be allowed to lead, either in existing plant or by the construction of new plant, to unnecessary increases in scrap consumption.
- 5) — In no country must import facilities be taken as an encouragement to let up on scrap collection at home.
- 6) — Every possible effort — compatible, that is, with technical and economic conditions and with the availability of other raw materials — should be made to reduce scrap consumption by the increased use of pig-iron.

The steps whereby the compensation scheme is to be overhauled have been worked out with a view to achieving the objectives just listed (1). The High Authority recently issued a statement to the effect that if, in actual practice, it were to transpire that the price-level in the Common Market and the operation of the system are not in accordance with the principles agreed on between itself and the Council, or if unforeseen contingencies were appreciably to alter conditions of supply, the High Authority would inform the Council without loss of time, and discuss with it what steps it (the High Authority) proposed to take in order to deal with the situation. In any event, the Council will meet in September to examine the operation of the system introduced.

After completing its studies and consultations, the High Authority came to the conclusion that the introduction of a maximum-price system, under Article 61 of the Treaty, would in the prevailing circumstances have done more harm than good, and decided not to take any such action for the present.

Section 3 : — Development of the Common Market

117. In the endeavours to improve the working of the Common Market three main objectives were pursued :

- simplification or abolition of administrative regulations still in force in trade between member countries ;

(1) Decision No. 14/55, of March 26, 1955. *Official Gazette of the Community*, March 30, 1955.

- introduction of international through-rates and elimination of certain anomalies in transport ;
- application of the provisions in the Treaty on agreements, concentrations and monopolistic organizations.

ADMINISTRATIVE IMPEDIMENTS

118. At the end of September 1953, after discussing developments in the Common Market with the Consultative Committee, the High Authority announced that, in order to facilitate trade within the Community, it proposed to work towards the elimination of impediments to such trade, and in particular to draw up a list of the charges and administrative formalities involved in buying a Treaty product from another Community country in comparison with buying the same product in the home market (1).

Various proposals for simplification, based on data supplied by producers and consumers, were submitted in April 1954 to the governments of the member States.

In order to clarify the information thus assembled by the High Authority, it was agreed that the six governments should forward to the Secretariat of the Special Council of Ministers particulars concerning the documents required, the time normally elapsing before a licence or permit was issued, the fees and other charges connected with the various formalities, and the reasons given for retaining such formalities and charges.

The departments of the High Authority then worked out further proposals for simplification, which were forwarded to the governments of the member States.

119. As regards administrative formalities, the High Authority is of the opinion that a licensing system always constitutes an impediment, even if the licence is granted automatically, from the very fact that it has to be applied for at all and the application subjected to examination.

(1) See *Second General Report*, April 1954, No. 88, and *Report on the Situation of the Community*, November 1954, Nos. 65 and 66.

However, in order that the government departments concerned should not be deprived of the statistical information furnished by such licences, a simple declaration could be submitted instead.

This principle has to a great extent now been put into practice, so that since April 1954, when the High Authority first began its work in this connection, the following simplifications have been adopted :

- in Germany, licensing has been entirely abolished on entry; on exit, it has been abolished for coal and will probably shortly be for ore; in respect of steel it has been retained for the time being;
- in Belgium and Luxembourg, it has been abolished for ore and scrap on entry, and for ore on exit; it has been retained for coal and steel by reason of the special position of the Belgo-Luxembourg Economic Union marked in respect of these products (Sections 15 and 26 of the Convention containing the Transitional Provisions).
- in Italy, it has been completely abolished;
- in the Netherlands, licences are no longer required on entry for shipments not exceeding FL 10 000 (2 600 dollar units of account) in value, and the question is being examined whether this restriction can also be done away with; on exit, the same regulations came into force for coal and ore on March 1, 1955;
- in France, licences are still required, but it will doubtless be possible to simplify the present system.

120. All six countries have, in addition, abolished or shortened various documents, which were felt to be no longer strictly necessary. Further simplifications are still under consideration.

Apart from certain exceptions now undergoing further study, administrative fees are no longer charged on shipments crossing from one Community country to another.

Most of the simplifications still outstanding have proved impossible to introduce for special individual reasons, such as the arrangements for trade in scrap in the Community, various currency

regulations, Benelux steel tariff quotas, etc. Only when these special arrangements have been done away with will it be possible to effect the simplifications proposed.

121. Further to the question of administrative impediments, work has been started by a commission of experts set up on February 1, 1955, by the Committee of the Council of Ministers. The commission has been instructed to examine whether a proposal by the High Authority for the standardization of certain Customs papers in the six countries would be practicable or not. The advantages of such a step for traffic between the member States would be considerable.

122. The results already achieved in connection with administrative impediments are due to co-operation between the governments and the High Authority. It was thanks to the interest and understanding shown by the governments that they were finally attained.

The High Authority intends to continue conversations with the member governments as to ways and means of improving the working of the Common Market.

TRANSPORT

123. Since all discriminations according to the origin and/or destination of the various products were eliminated, so far as rail traffic was concerned, when the Common Market was first introduced, the High Authority's attention has been devoted to the establishment of international railway through-rates. The High Authority has, in addition, had to work on the problems presented by the disparities in inland water-transport rates according as they are for internal or international traffic (1). It has also had to state its views on a request by the French Government for the application of special tariffs for shipments of coal from the Centre/Midi collieries to areas on the Atlantic seaboard.

Establishment of international railway through-rates

124. The Treaty recognizes the need for applying within the Common Market such transport rates for coal and steel as will make possible comparable price conditions to consumers in comparable positions (Article 70). At the same time, Section 10 of the Convention

(1) See *Second General Report*, April 1954, Nos. 89-95, and *Report on the Situation of the Community*, November 1954, Nos. 67-71.

provides for the establishment in respect of transport within the Community of international through-rates which take into account the total distance covered and are degressive (tapering rates), the rates to be established not later than two years after the introduction of the Common Market for coal.

On the basis of the conclusions reached by a commission of experts appointed by the governments, which was convened by the High Authority October 1952, and submitted its report in May 1954, negotiations were started in August 1954. They were carried on in conformity with a resolution adopted by the Special Council of Ministers on July 27, 1954.

X These negotiations ended in the agreement of the governments, expressed in a resolution adopted at the Council's session of January 20, 1955, to the introduction of international through-rates by stages, beginning from May 1, 1955. The final document containing the appropriate technical details, was approved by the six governments at the Council's session of March 21, 1955.

125. The entry into force of the through-rates will mark the end of the "break in rates" ("splitt tariffs") which formerly operated to the disadvantage of the international as against the internal traffic of the member States, and which it was essential to eliminate if the Common Market was to work as it should.

The expression "break in rates" covered those discrepancies in costs between internal and international traffic which were due not to differences between the rates-schedules of the various railways, but to the system whereby at each frontier crossed the schedules began again from the beginning, i.e. from the point where they were highest owing to terminal charges and the tapering of rates.

↳ Hitherto, each railway concerned in the carriage of a consignment from one country to another used to calculate its charges on the basis of the mileage covered on its particular system, exactly as if it were a purely internal transaction. An international freight for charging purposes was treated as two or more consecutive internal freights, the goods being deemed to have been *unloaded and reloaded* at each frontier.

↳ As regards the mileage rate, the cost per kilometre-ton often, in internal traffic, tapers very markedly, in accordance with

the total distance covered. In international traffic, each of the railways concerned used to apply for its own partial mileage the tapering ratio corresponding to that *partial distance*. Apart from the terminal station fees collected at each frontier crossed, the cost per kilometre-ton for international carriage was thus higher than for internal carriage over the same total distance.

126. International through-rates are designed to eliminate breaks in rates as follows :

- the part of the terminal station fee hitherto collected at each frontier crossed will be reduced by two-thirds as from the entry into force of each through-rate tariff (May 1, 1955, for fuels and ores, May 1, 1956, for iron and steel products and scrap), for a transitional period of one year ; thereafter this fee will be abolished altogether ; thus ultimately, the terminal station fee charged on an international freight will be equal to the sum of half the terminal station fee of the consignor country and half the terminal station fee of the consignee country, no terminal station fee to be collected by any country of transit ;
- as from the entry into force of a through-rate tariff, the tapering rate applied by each of the railways concerned on an international freight will be calculated not, as hitherto, on the basis of the partial distance covered on its network but, as in internal traffic, on the basis of the total distance over which the consignment is carried : in other words, the mileage rate for an international freight will be equal to the weighted average, proportionate to the partial distances, of the mileage rates of the countries concerned for internal carriage over the same total distance.

These through-rates will be of general application. They are to be applicable to all Community traffic, with the exception of a small number of special cases regarding which, in view of the present situation special regulations have been approved, viz, carriage of iron and steel products within the Netherlands over distances exceeding 150 km. (= approx. 93 m.), and coke from France to Italy and *vice versa*.

127. The effect of the introduction of through-rates on transport costs per metric-ton is shown in diagram form in the graph on the opposite page. Apart from the differences between the rates-schedules of the different railways, which are to be examined with a view to their harmonization, the cost of international carriage within the Community on the expiry of the transition period will be exactly the same as that of internal carriage over the same distance.

128. After the elimination of discriminatory practices, which constituted the first stage of the work on rail transport, the introduction of through-rates marks the second stage. In addition, the solving of various technical problems in connection with tariffs, arising out of the introduction of through-rates, amounts to advance work on the harmonization of transport costs and conditions, which forms the third stage in the commission's studies.

Thus, partial harmonization has been achieved, in particular, in respect of national tapering rates, by means of

- standardization of the national tapering ratios for distances not exceeding 250 km. (= approx 155 m.) for fuels and ores, and 200 km. (= approx. 125 m.) for the other products ;
- retention for greater distances of the national tapering ratios within limits (the « fork ») fixed by general agreement, with provision for a general limit on the tapering of international rates with due regard for the prime cost of transport (it being understood that in no case may the partial mileage rate of any railway exceed its internal mileage rate for a distance equal to the partial distance).

The tapering scale may be given in graph form as shown on page 110.

129. By way of illustrating, firstly, the effects of the elimination of discriminatory practices in rail transport on the introduction of the Common Market, and secondly, those of the introduction of international through-rates, we may take the following typical examples of some of the most important international traffic routes.

Incidence of International Through-rates on Transport costs per metric ton (Fuels and ores)

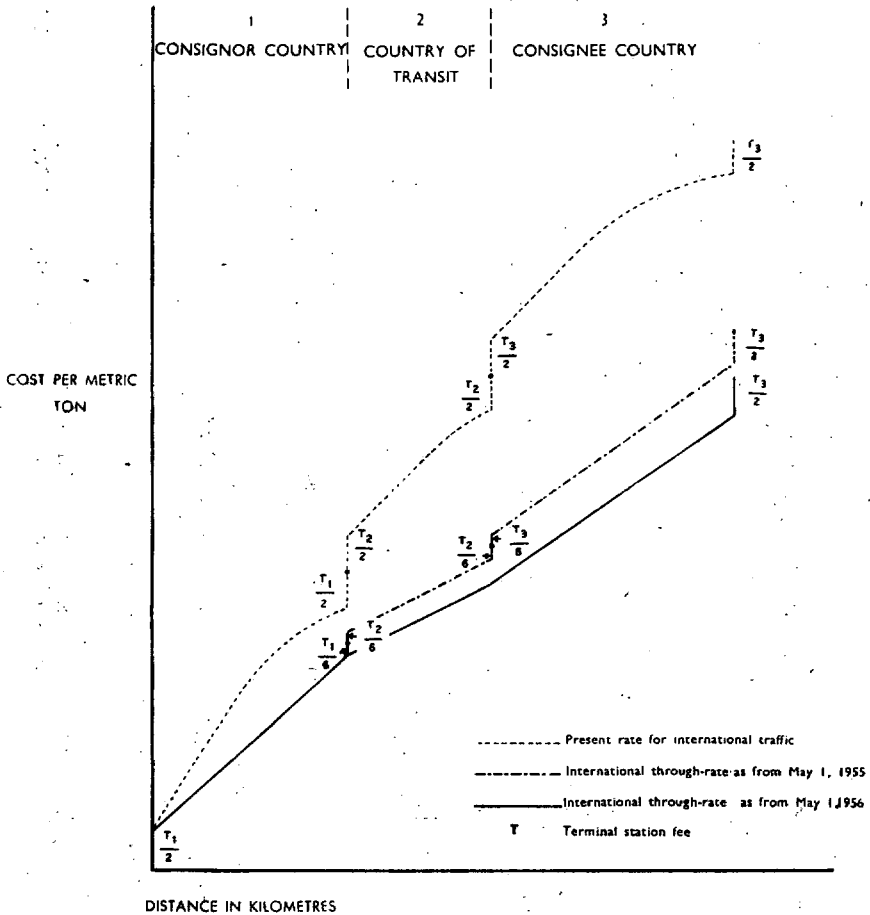


TABLE 29

Development of Transport Costs in the Community

(in French francs per Metric ton) (1)

	Before abolition of discriminations	After abolition of discriminations	After introduction of through-rates	
			(1. 5. 55)	(1. 5. 56)
TRAFFIC IN COKE				
a) GERMANY - FRANCE				
<i>Gelsenkirchen Hbf - Homecourt</i> , by non-scheduled full train-load of 950 metric tons, privately-owned trucks.....	2,331	1,992 (2) (3)	1,694	1,599
b) GERMANY - LUXEMBOURG				
<i>Gelsenkirchen Hbf - Esch /Alzette</i> , by non-scheduled full train-load of 810 metric tons, company-owned trucks.....	2,603	2,546	2,128	1,962
c) BELGIUM - FRANCE				
<i>Zeebrugge - Thionville</i> , by non-scheduled full train-load of 900 metric tons, company-owned trucks.....	1,706	1,640 (4) (4)	1,061 (5)	1,579
d) NETHERLANDS - FRANCE				
<i>Loiterade - Thionville</i> , by non-scheduled full train-load of 900 metric tons, company-owned trucks.....	2,018	1,660 (3) (6)	1,488	1,316
TRAFFIC IN COKING-FINES				
GERMANY-SAAR				
<i>Alsdorf - Saarbrücken/Burbach</i> , by non-scheduled full train-load of 900 metric tons, company-owned trucks.....	2,157	1,959 (7)	1,668	1,599

TRAFFIC IN COAL

SAAR - GERMANY

Reden/Grube - Regensburg Hbf, by single company-owned trucks

2,341

2,419

2,633 (1)

3,187

TRAFFIC IN IRON ORE

a) FRANCE - BELGIUM

Stancy - Ougrée, by full train-load of 1,120 metric tons, running daily, privately-owned trucks

606

674

784 (2)

850

b) GERMANY - SAAR

Bingen/Rhein - Völklingen, by non-scheduled full train-load of 800 metric tons, company-owned trucks

599

671

779 (3) (4)

1,220

c) LUXEMBOURG - GERMANY

Tétange - Duisburg/Ruhrort, by lifts of trucks of 60 metric tons

912

973

1,067 (10)

1,243

(1) At the rate of exchange in force for each period. For carriage by privately-owned trucks, prices are minus refunds, but inclusive of returned-empty charges.
 (2) Germany: introduction by German State Railway of refunds for privately-owned trucks (January 1, 1953), and difference in exchange amounting in all to Frf. 121,— per metric ton, which cannot be imputed to the abolition of discriminations.

(3) France: extension of French State Railways Tariff No. 7 heading 3, section 2 (smelting-coke), to allow 2/3 of the reduction for full train-loads (French State Railways Tariff No. 103).

(4) Belgium: standardization of Belgian State Railways Tariffs for coke for iron and steel works, with increased transport charges.
 (5) Increase due to separate charges for Luxembourg section (through-rate principle) — Belgian tariff system now extended to cover route through both Belgium and Luxembourg (Belgo—Luxembourg Tariff No. 1).

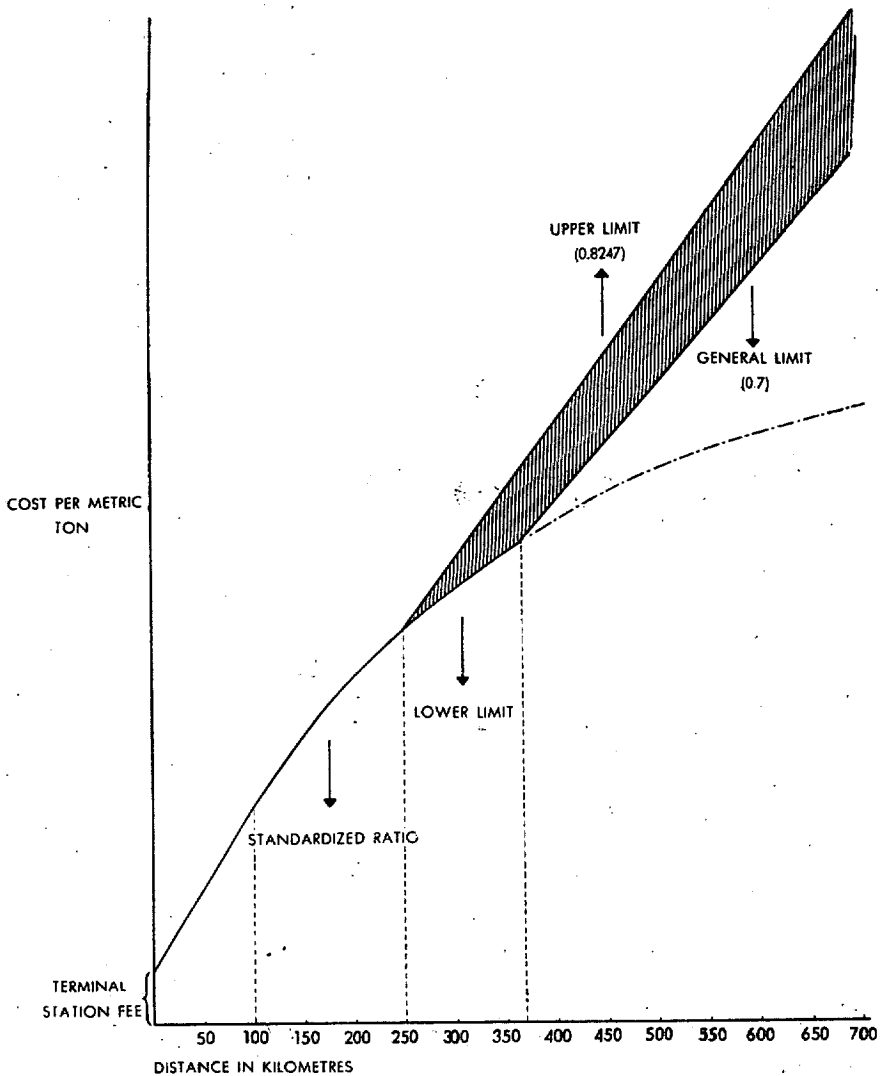
(6) Belgium: standardization of Belgian State Railways Tariffs for coke, for iron and steel works, with reduced transit charges.
 (7) Germany: application of German differential Tariff 6 B 1 to consignments ex-Community collieries.

(8) France and Saar: application to ores shipped abroad of same tariff rates as for ores shipped within France (lowering of rates for ores to other member States, raising of rates for carriage within France).

(9) Germany: application of German differential Tariff 7 B 8 for consignees within the Community, to allow 2/3 of the reduction for full train-loads (French State Railways Tariff No. 108).

(10) Germany: application of German differential Tariff 7 B 25 to consignments ex-Community collieries.

Tapering Scale for International Through-rates (transport of fuels)



Disparities in inland water transport rates

130. The November Report recalled that no solution had as yet been found regarding the disparity between the controlled rates for the inland water transport of the member States and the uncontrolled rates for international traffic between the same States, owing to serious differences of opinion among the governments.

Since April 1954, the Special Council of Ministers has been unanimously agreed as to the importance of this problem, and the High Authority on June 8 forwarded to the governments the recommendations of the Expert Committee on Transport, together with its own conclusions regarding these recommendations.

The negotiations requested by the High Authority in June and November 1954 were finally opened in January 1955, by a committee of the Council of Ministers.

In the meantime, on October 21, the Council of the European Conference of Transport Ministers adopted a resolution proposing *inter alia*, that

- a) for transport on waterways coming under the Rhine Statute, the recommendations passed in 1952 by the Economic Conference on the Navigation of the Rhine should be implemented as soon as possible, and that meantime there should be introduced a system of international freight-rates through the free play of supply and demand within certain limits fixed in conformity with the provisions of existing treaties, especially those fixed by the transport industry itself and by agreements between consignors and ship owners ;
- b) for transport on waterways not coming under the Rhine Statute, the transport industry should work out a solution similar to that mentioned above, and that, should it prove impossible to do so in time, certain measures should be taken by the governments.

The Council of the European Conference of Transport Ministers further agreed that the negotiations for the abolition of the "flag privileges" should be started between the governments of the countries concerned as early as possible and that a period of one year from the conclusion of the negotiations should be specified to

the transport industry as a reasonable time-limit for it to harmonize its inland water-transport rates.

At its meeting on January 20, 1955, the Council of Ministers of the Community expressed the view that every effort should be made to see that the problem of disparities in water-transport rates was not dealt with by several authorities separately. Accordingly, it was decided that the Council and the High Authority should examine whether the work of the European Transport Ministers' Conference, in which the High Authority was invited to cooperate as closely as possible, looked like producing a satisfactory general solution in the near future. If not, the Council was to resume its examination of the subject, in collaboration with the High Authority, in order to arrive at a concrete solution as soon as possible.

The Committee of Transport Ministers' deputies met on January 25, with High Authority representatives sitting in, and decided to have the preliminary problem of the "flag privileges" dealt with by a committee of government experts from the member States and Switzerland. This committee, on February 11, began its study of the problem of equal treatment for all national flags, with particular reference to traffic within the Community. Discussions are continuing.

The procedure to be followed for the elimination of disparities in water-transport rates was further discussed at the session of March 21 of the Council of Ministers. In view of the fact that the Expert Committee of the Transport Ministers' Conference was to meet in April, it was decided to postpone the examination of these disparities until May ⁽¹⁾.

Special tariffs for the Centre/Midi collieries

131. The Treaty (Article 70, paragraph 4) lays down that the application of special domestic tariff measures in the interest of one

(1) Pending the solution of this problem, the High Authority requested the French Government to withdraw its *arrêté* of April 2, 1954, unilaterally establishing a compensation scheme for inland water-transport rates, which the High Authority deemed to be discriminatory. At the same time, it proposed to all the member governments that, in accordance with the procedure laid down in the Convention (Section 2, subsection 4), they should join in examining the effects arising out of the disparity in freight-rates, and the measures which might be adopted for correcting or compensating them. The Council was consulted in this connection at its session on March 21, 1955.

or several coal or steel-producing enterprises shall be subject to the prior agreement of the High Authority.

Basing itself on this article, the French Government, in a letter dated October 21, 1954, asked the High Authority for authorization to approve a tariff scale proposed by the French State Railways for consignments of coal from the Centre/Midi collieries to eleven departments in the neighbourhood of the Atlantic seaboard.

During the discussion of this question, the representatives of the French Government, the Charbonnages de France and the French State Railways pointed out

- the serious difficulties encountered by the coalfields concerned in marketing their production, owing chiefly to competition from solid and liquid fuels from third countries ;
- the zonal rebates already introduced by them, which constituted their maximum effort consistent with their financial position and the assistance afforded them by inter-coalfield compensation ;
- their success in reducing production costs and appreciably raising output ;
- their introduction of a programme for adapting their means of production, and more especially their manpower, to the diminution of the overall volume of their sales.

The High Authority approved the tariff scale proposed for a period ending December 31, 1955 ⁽¹⁾.

The collieries of Dauphiné and Provence were not, however, included under this scheme, since the tariff did not seem likely to provide them with additional sales outlets of any size.

The new tariffs, by which the price of coal was reduced by an average of some Ffrs. 350.- per metric-ton, were introduced a few days after the High Authority had agreed to the French Government's proposal.

⁽¹⁾ Letter of December 22, 1954, to the French Government. *Official Gazette of the Community*, January 11, 1955.

AGREEMENTS (CARTELS),
MONOPOLIES AND CONCENTRATIONS*Agreements (cartels) and monopolistic organizations*

132. As was noted in the Second General Report ⁽¹⁾, the High Authority, in July 1953, took a decision implementing the prohibitions set forth in Article 65 of the Treaty ⁽²⁾. It thereby compelled existing agreements to declare themselves and, under pain of being found void, to submit applications for authorization under Article 65, paragraph 2.

133. A series of decisions taken in June, July and December 1954 granted such authorization to seven agreements among enterprises, two of which were specialization agreements and five joint-selling agreements ⁽³⁾.

- 1) — specialization agreement between the *Compagnie des Forges d'Audincourt* and the *Société Lorraine-Escaut* (Decision No. 31/54 : *Official Gazette*, July 6, 1954) ;
- 2) — specialization agreement between the *Società Cornigliano* and the *Società Fiat* (Decision No. 41/54 : *Official Gazette*, August 1, 1954) ;
- 3) — agreement for the joint selling of hard-coal, hard-coal briquettes and hard-coal coke through the selling agency known as *Aachener Kohlen-Verkauf* (Decision No. 32/54 : *Official Gazette*, July 6, 1954) ;
- 4) — agreement for the joint selling of brown-coal briquettes through the selling agency known as *Helmstedter Braunkohlen-Verkauf* (Decision No. 33/54 : *Official Gazette*, July 6, 1954) ;
- 5) — agreement for the joint selling of hard-coal, hard-coal coke and hard-coal briquettes through the selling agency known as *Niedersächsischer Kohlen-Verkauf* (Decision No. 34/54 : *Official Gazette*, July 6, 1954) ;

⁽¹⁾ See *Second General Report*, April 1954, No. 96.

⁽²⁾ Decision No. 37/53 of July 11, 1953. *Official Gazette of the Community*, July 21, 1953.

⁽³⁾ For further details, see *Report on the Situation of the Community*, November 1954, No. 73 and *Monthly Report for January-February 1955*, to be laid before the Extraordinary Session of the Common Assembly, No. 65.

- 6) — agreement for the joint selling of iron and steel products through the *Société Commerciale de Sidérurgie*, Brussels (Decision No. 40/54, *Official Gazette*, August 1, 1954) ;
- 7) — agreement for the joint selling of iron and steel products through the *Union Commerciale Belge de Métallurgie* (UCOMETAL) (Decision No. 42/54 : *Official Gazette*, January 11, 1954).

134. Cases still under examination on April 1 included those of the following centralized organizations for the buying and/or selling of coal : *Gemeinschaftsorganisation Ruhrkohle* (GEORG), *Comptoir Belge des Charbons* (COBECHAR), *Association Technique de l'Importation Charbonnière* (A.T.I.C.) (1).

At the last Extraordinary Session of the Assembly the High Authority gave an account of the position then reached in the inquiry into the activities of these organizations.

Now that the basis for a coal policy has been established, investigation of the Ruhr collieries' selling organizations has enabled the High Authority to arrive at certain conclusions, which have been duly communicated to the collieries concerned.

From the applications submitted to it, the High Authority has been able to determine.

- a) activities which do call for authorization ;
- b) activities requiring authorization which can, however, be granted only upon application and subject to certain conditions ;
- c) activities prohibited under the Treaty, which are accordingly not to be permitted in future.

These findings were forwarded to the Ruhr collieries in order to give them an opportunity to draw up new applications for the authorization of such selling organizations as were entitled to it. They were also sent to the workers' representatives, and, in addition, the Federal Government was kept informed.

By April 1, the Ruhr collieries had still not stated whether or not they proposed to submit new applications. The High

(1) See *Report on the Situation of the Community*, November 1954, No. 75.

Authority will, therefore, be making a verbal report to the Assembly on the development of this question in the course of the next week or two, and will show how it is dealing with the original applications where these have not been withdrawn and replaced by new ones, in conformity with the findings of the inquiry.

In the meanwhile, progress has been made in the investigation of the situation in regard to competition in the other areas of the Common Market, and in particular in France, so that it will shortly be possible to resume discussions with the French Government and to deal with the problem of the organization of the Belgian collieries, with a view to eliminating simultaneously in the three main producer countries the obstacles which are still impeding competition.

135. In the case of Luxembourg, the High Authority informed the Grand-Ducal Government that it regarded the monopoly exercised by the Import Office for solid fuels as incompatible with the provisions of the Treaty ⁽¹⁾.

Concentrations

136. As regards concentrations, Article 66, paragraph 2 of the Treaty empowers the High Authority to authorize transactions carried out subsequent to the date upon which the Treaty came into force, if it finds that such transactions do not give to the persons or enterprises concerned the power in the Common Market

- to determine prices, to control or restrict production or distribution or to prevent the maintenance of effective competition in a substantial part of the market ;
- to evade the rules of competition, in particular by establishing an artificially privileged position involving a substantial advantage in access to supplies or markets.

The three regulations which the High Authority was to draw up were promulgated on May 6, 1954, after consultation with, and in one instance with the agreement of, the Council of Ministers ⁽²⁾.

(1) See No. 104 above.

(2) Decisions Nos. 24/54, 25/54 (supplemented by Decision No. 28/54, of May 26, 1954) and 26/54, of May 6, 1954: *Official Gazette of the Community*, May 11 and 31, 1954. See also *Report on the Situation of the Community*, November 1954, No. 76.

Public opinion even as late as this time last year was still apprehensive lest the Treaty definition of the elements constituting control of an enterprise should prove too wide and the High Authority should impose excessively narrow limits with regard to exemption from authorization. Despite the High Authority's statements on the subject, to the effect that such limits were simply a way of defining those cases which did need authorization, and left an adequate margin for the authorization of applications, there was a general feeling that the High Authority might refuse to authorize concentrations which could in actual fact improve technical production conditions.

Since that time, however, both industrial circles and public opinion generally have come to the conclusion, from the decisions taken in respect of applications for the authorization of concentrations, that the High Authority does not object to useful concentrations, and indeed encourages them in every way it can. The smallness of the concentrations in question in comparison with the tonnages produced in the Community led the High Authority to conclude, as the Treaty specifies that it should, that these enterprises could not evade competition or create an artificially privileged position for themselves.

So far, fourteen applications in all have been submitted to the High Authority. Four were in connection with concentrations organized before the regulations implementing Article 66 came into force. These applications, which were approved by the High Authority, were for

- 1) — a merger between an iron and steel enterprise and two processing enterprises ;
- 2) — a concentration of three iron and steel enterprises ;
- 3) — a concentration of coal and iron and steel enterprises ;
- 4) — a concentration of an iron and steel enterprise with an iron-ore mine.

Of the remaining ten applications submitted under Article 66, the High Authority in December 1954 authorized two, namely,

- a merger between two coal-mining enterprises ;
- a concentration of an iron and steel enterprise with a colliery and a group of processing enterprises.

One application for a merger between two iron and steel enterprises did not require authorization by the High Authority, as the enterprises in question were already concentrated in such a way as practically to amount to the same thing.

Another transaction of which the High Authority was notified by an iron and steel enterprise did not constitute a concentration between enterprises at all. It therefore did not require prior authorization and the enterprise concerned was informed accordingly.

The High Authority will shortly be in a position to give a ruling on three further applications which have already been studied. The examination of the remaining four has not yet been completed.

The concentrations are more or less evenly distributed among the industries of the various countries, and represent the position of these industries as it was when the Common Market was first introduced. They have every appearance of being measures taken for the purpose of withstanding competition, *not* concentrations of industrial power restricting it. None of these concentrations in the steel sector exceeds a production capacity of 2 m. metric-tons.

At the same time, the mere fact that the High Authority has not so far had to turn down any applications should not be taken as meaning that it underestimates the danger of concentrations arising which might jeopardize competition in the Common Market.

Section 4 : — General objectives and economic expansion.

137. The High Authority has special responsibilities in regard to the studying of developments in the coal and steel markets, the definition of general objectives in connection with modernization and the development of production capacities, as well as the long-term planning of manufacture. It must, furthermore, promote research, and can even grant financial assistance for that purpose. Finally, as the Community's mission is to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living, in harmony with the general economy of the member States, the High Authority has to engage in exchanges of

views with the governments of these States, for the purpose of examining how the various efforts can be directed towards achieving the common objectives.

GENERAL OBJECTIVES AND LONG-TERM POLICY

138. The High Authority has continued its work in regard to defining general objectives and has, in particular, gone more deeply into the problems raised by the definition of a coal policy. It has, furthermore, continued studying those factors which are likely to influence the long-term demand for iron and steel products.

Coal policy

139. A memorandum on coal policy, the broad outlines of which were already included in the *Report on the Situation of the Community*, of November 1954 ⁽¹⁾, has been submitted to the committees of the Common Assembly, as well as to the Consultative Committee and the Special Council of Ministers.

It is merely a preliminary study laying down general directives, and will have to be reviewed and developed into a programme of action, following discussions which are now taking place.

140. In accordance with its tasks under the Treaty, the High Authority has to ensure that the Common Market is regularly supplied, and at the same time see that conditions are established which will assure a steady development of production without recourse to unwarranted protective measures against competing industries. This combination between assured resources and increasingly economical supplies is particularly difficult to achieve under the conditions which govern coal production in Europe, where new capacities can be developed only by means of very long-term investment, and where plants which have once been closed down are liable to be lost for ever. It is this combination which must form the policy of the Community viewed as a single unit, by reconciling the wishes of the producers, which are concerned with the maintenance of resources, with those of the consumers, who, when they are not passing through a period of shortage, look mainly for advantages in regard to prices.

(1) See Nos. 81-88 above.

The various studies which have been initiated can be summed up under three main headings, viz.

1. — The new situation whereby coal produced within the Community is in competition with imported coal and the other sources of energy and the consequent need to lower the average price level and chances of doing so. This may be described as the problem of the competitive position of coal.
2. — The special features of the coal market and the problems raised in it by the development of competition; adaptability to the market. This may be described as the problem of competition in the coal sector.
3. — The fixing of general objectives concerning the production capacities needed, bearing in mind the various possibilities of meeting requirements, and the appropriate measures for maintaining such capacities or for making the transitional arrangements which will be necessary in connection with the alteration or elimination of existing plant. This may be described as the problem of production capacity and meeting requirements.

141. The coal produced in the Community will from now on be exposed to competition from other sources of energy, and from coal imported from countries which often produce it under more favourable conditions than the Community coalfields. Nothing has as yet been done as regards adaptation to this new situation. This is particularly evident from the fact that, in recent years, the prices of Community coal have gone up appreciably in comparison with other prices.

It would, therefore, seem indicated as a long-term directive to establish conditions which will enable Community coal to withstand competition from imported coal and fuel oil and, eventually, from other sources of energy. This would be the safest method of ensuring that the Community was supplied out of its own resources, and of answering the need for competitive prices. All efforts must be concentrated, first and foremost, on this particular objective.

Any improvement of the competitive position of coal depends, on the one hand, on the efforts of the coalmining industry itself, and, on the other, on the measures which the High Authority is at present examining with the governments.

The efforts of the coalmining industry must be directed towards the modernization and rationalization of coalmining, as well as towards the valorization of the products.

The questions which must be studied in close co-operation with the governments concern the reduction of selling prices by means of a better distribution of coal, and an inquiry into any distortions which may result from the existence of different tax and commercial regulations for the various sources of energy. These investigations are being undertaken by a joint committee on the prospects and conditions for economic expansion in the Community countries. (1)

142. As regards the development of competition within the coal market itself, it is advisable to start on the assumption that the elasticity of the demand for coal under the influence of prices and the adaptability of the supply to fluctuations in this demand, will in all probability remain slender. On the other hand, competitive conditions in a market which does not enjoy the benefits of protectionist measures which would shelter it from foreign competition are totally different from those which, not so very long ago, characterized the closed, self-contained markets. If coal is to adapt itself to this new situation, it is necessary to do away with the obstacles which still exist and which interfere with the progressive redistribution of the markets between the coalfields of the Community, for the sake of economies in transport costs.

Two problems are of vital importance for the operation of the Common Market — the structure of buying and selling organizations and the relationship between producers and dealers.

The first of these problems is, as we know, being given priority by the High Authority. (2)

As far as the relationship between producers and dealers is concerned, it is not for the High Authority to fix norms for the part played by the dealers or for the compensation due to them. All that is required is that these norms should be compatible with the rules laid down in the Treaty and with the conditions governing the operation of the Common Market. From this general point of view,

(1) See No. 150 below.

(2) See *Report on the Situation of the Community*, November 1954, No. 75.

certain simple principles could be laid down which would serve as a guide in this matter, and it would be up to the producers or producer organizations to alter their selling systems in order to conform with these principles.

Thus, thanks to the Common Market and the provisions which govern its operation, it should be possible, with due regard to the general precautionary measures provided for in the Treaty, to contemplate a more elastic price policy.

143. The third objective of the coal policy is concerned with the determination of the production capacity and the meeting of requirements.

The High Authority is of the opinion that the production capacity contemplated cannot be centred on the maximum of foreseeable requirements, such as would result from maximum general expansion and the most favourable peak periods in market conditions. Such a solution would lead to an increase in production costs, and a weakening of the competitive position of coal. Here, however, we come up against certain difficulties, inasmuch as Community coal, which constitutes the least elastic element on the energy market, covers peak requirements, although the number of consumers possessing plant suitable for several types of fuel is already considerable, and the demand for imported coal is changing according to developments in the economic situation and parallel with movements in the relative price level.

The High Authority is devoting much attention to technical and economic developments in the oil industry, which it considers may convert fuel oil from disturbing into a steadying factor on the coal market.

As for imports, the Treaty lays down the principle that the Community is not self-sufficient, and must not resort to unwarranted protective measures against imports from third countries. In addition, its basic articles apply the rules on the unhampered movement of goods within the Community not to production but to products. They do not, therefore, make a distinction between the products from the Community and those imported from third countries. These principles must, however, be considered in conjunction with the principle set forth in Article 71, according to which the

member States retain their sovereignty in matters of commercial policy, apart from such limitations as are expressly provided for in the Treaty. The reconciliation of these two aspects is to be found in the application of the mutual assistance provisions contained in Article 71, which make it possible to safeguard the member States' freedom of action within the limits specified in the Treaty.

The marginal mines confront us with a special problem. Here we have to distinguish between those mines which, being marginal mines from the structural point of view, offer no prospect of becoming profitable in the future, and those which, for special reasons or under certain economic influences, have reached a position where they are no longer able to cover their production costs. The Treaty provides the possibility that, in case of necessity and in the absence of any other solution, temporary financial arrangements may be made either to regulate the rate at which those pits which have to be abandoned are finally closed down according to the scope for reduction or re-employment of personnel, or to enable the pits to carry on until the efforts they are making have got them back on to a sound economic footing, or to help them to overcome the temporary effects of the general economic situation.

Apart from purely local difficulties, the Treaty fully recognizes the problems involved in adapting production to demand in the event of extreme fluctuations: it makes provision for precautionary measures to preserve production capacities in a crisis, or to ensure essential supplies in a period of shortage.

144. Finally, in defining a coal policy, the High Authority cannot separate the purely economic aspects from the social ones. It is, in particular, under obligation to contribute to the improvement of living and working conditions, and see that the continuity of employment is assured.

It is a fundamental principle of the Treaty that reductions of wages must not be used as a means of competition between enterprises; on the contrary, the object of the Common Market must be to raise the workers' standard of living. While it is necessary to put a brake on the rise in coal prices in relation to the prices of other products, in order to contribute to general economic progress and the maintenance of employment, in no circumstances may this be

done at the expense of the workers. The reduction of production costs must not, therefore, be brought about by wage cuts.

Another guarantee to which the workers are entitled is that endeavours to lower production costs shall not be made at the expense of their security. On the contrary, the High Authority's policy will be to encourage by every means in its power all endeavours to afford greater security to the miners.

These guarantees in respect of wages and working conditions demand that productivity shall increase, if coal is to retain its competitive capacity and employment is not to be endangered. Productivity itself can, however, be encouraged by the improvement of miners' living conditions, particularly in regard to housing. (1).

145. Although it is not yet possible to foresee with any certainty the course which coal production in the Community will take during the next few years, stress has already been laid on the need for the coalmining industry to increase its productivity quickly. This is absolutely necessary if it is to stand up to competition from the other sources of energy, while at the same time contributing to general economic progress.

Any stepping-up of productivity, however, involves a reduction in manpower, relative or absolute according to whether coal production is expected to go up or to remain unchanged in the future.

Such a development conforms exactly to the general conditions which govern social and economic progress. The essential feature of an advancing economy is the gradual reduction of the percentage of the manpower employed in the basic industries and the corresponding increase of employment in the processing industries, transport, distribution and public services.

It is too often supposed that the pits with the highest production costs must be kept working in order to ensure continuity of employment. In actual fact, however, their existence and maintenance are a permanent menace to employment throughout the entire mining industry. The marginal mines are really a burden on the

(1) See Nos. 199 - 204 below.

whole industry. Their production costs send up the general average of production costs all round, and make it more difficult for coal to compete with other sources of energy. It is no part of the High Authority's responsibility to take direct action in regard to decisions by enterprises to close down or keep on the various pits, or even groups of mines. But its policy does include facilitating progressive adjustments and making use of all the means which the Treaty provides to protect the workers against the burdens arising from readaptation, either by seeing that the closing-down of pits is carried out in stages, or by tiding workers over until they can be found fresh employment, or by enabling them to find new jobs altogether by means of occupational retraining or resettlement allowances.

The longer the period for which an employment policy is adopted, and the more independent it is of fluctuations in the general economic situation, the better chance it has of succeeding. One way of reducing personnel, where necessary, without detriment to the workers themselves, is to refrain, as far as possible, from taking on any replacements for the miners leaving the pits in the normal course of events, *e.g.* by reason of old age or disablement.

This method cannot, however, be used beyond a certain limit without jeopardizing the maintenance of an age-pyramid giving good results in regard to output. It is important to see that there is a regular intake of young miners, and to provide them with suitable training. This problem is being studied in co-operation with all the competent authorities. (1).

In addition, to assure a future for the rising generations in miners' families, all openings must be explored which arise in connection with the development of valorization. The Treaty moreover provides an opportunity for contributing, even outside the coal and steel industries themselves, to the creation of new opportunities for productive employment.

Although in those cases where it is necessary, the progressive reduction of personnel represents not a difficulty, but an advance, what does need to be limited, as far as is humanly possible, is any short-term fluctuation in workers' employment and income. It is in this spirit that the High Authority has approached the general complex of problems raised by coal policy.

(1) See No. 205 below.

Long-term forecasts for steel

146. Previous forecasts are being checked, and rechecked, and brought up to date. The study of consumer sectors, which started with a survey of the motor industry, will in future be extended to the building and shipbuilding industries. As these industries consume various types of products, this inquiry will provide a picture of the demand from both the quantitative and qualitative points of view (1).

On the other hand, the global method whereby the six countries of the Community have hitherto been treated as a single unit will be applied to each country individually. It must be possible to establish the relationship which existed in the past between the domestic consumption of steel and figures for the national product and industrial production, as well as for the building industry. In future, it will be possible to submit forecasts of developments in respect of each individual country for the opinion of experts of these countries. They will, in particular, be linked up with the work of the joint committee on the prospects and conditions for economic expansion in the Community countries (2).

TECHNICAL RESEARCH

147. For the past two years, the High Authority, in co-operation with expert committees, has been carrying out research in various technical fields.

1) *In the coal sector*, two international technical committees were set up at the end of April 1953, one to deal with mining technique, the other with coking and the valorization of coal.

These two committees consist of representatives of the research centres established in the Community countries, and of highly-qualified experts, including representatives of the British coalmining industry.

In the course of several meetings held in the various coal-fields, these committees inspected the most up-to-date coalmining installations, and examined new processes which had proved particularly economical. In this way, an exchange of views and experience

(1) See *Report on the Situation of the Community*, November 1954, No. 89.

(2) See No. 150 below.

was established between the Community countries, with the participation of Great Britain, which has made it possible to co-ordinate the research work carried out in the various coalfields and to publish the results obtained, with a view to the general introduction of new techniques, adapted to the particular conditions of individual coal deposits.

2) *In the steel sector*, the technical research committee, likewise consisting of experts of the member countries and of one British expert, dealt in particular with the following problems:

Tests with various grades of coke in blast-furnaces. — After the experts had made themselves thoroughly familiar with the research work and experiments already in progress, they proposed that carefully-controlled tests be carried out with different grades of coke in two identical blast-furnaces, with the same type of ore and under the same operating conditions. The preliminary studies are almost completed, and the tests are shortly to begin in a steelworks in the Saar.

The High Authority contemplates making a contribution towards the financing of this research, subject to the agreement of the Council of Ministers.

Study of the technical conditions involved in steel rolling, with the dual object of

- finding out the optimum working conditions of the rolling-mills, which will ensure that the finished product will correspond in the highest possible degree to the requirements of the buyers;
- studying the formation of calamine, *i.e.* the layer of oxide which forms during the rolling process.

Following extensive preliminary study and research, a detailed programme of tests has been worked out. These tests will last a year, and will be carried out in two steelworks, twelve rolling-mills, fifteen laboratories and two research centres in all six Community countries

With the agreement of the Council of Ministers, the High Authority has decided to contribute 200 000 dollars towards the cost of these experiments.

Improvements of the quality of refractory materials. — The extensive preliminary studies are now well advanced. The tests may be expected to start during the second quarter of 1955, with the participation of eleven steelworks of the Community.

Further research work is contemplated, but certain preliminary studies will be necessary before the final programme can be worked out. Mention should, in particular, be made of research on flame radiation, on which an international commission, which has been working in this field since 1948, has asked the High Authority to co-operate.

148. Alongside its work in connection with technical research proper, the High Authority has undertaken a number of inquiries in co-operation with the steel utilization advisory councils of the various countries, with a view to arriving at a better co-ordination of their efforts.

A committee set up in 1953 has indicated a number of fields in which, as an initial stage, the various councils are to make inquiries, each organization acting on behalf of the Community as a whole.

- 1) The first project is concerned with the internationalization of a journal through which the various studies and results obtained in the technical and economic use of steel are to be made known inside and outside the Community.

This project has meanwhile been realized, and the journal is now being published in four editions. With the agreement of the Council of Ministers, the High Authority has made a financial contribution of 40 000 dollars for the first year.

- 2) Three further projects are under consideration, *viz.*
 - increasing steel consumption in agriculture;
 - increasing steel consumption in the mines;
 - a comparative study on the use of metal framework and reinforced concrete in the construction of multi-storey buildings.

- 3) As well as devoting itself to these various projects, which are of interest to all the Community countries, but have hitherto been impossible to put into effect in view of the limited facilities at the disposal of the individual national advisory councils, the High Authority has been concerning itself with the special activities of the information centres, in order to intensify the exchange of information between them and to co-ordinate their activities as much as possible.

149. Finally, the High Authority set up, as early as September 1953, a committee consisting of three experts for each country (representing standard institutions, producers and consumers), for the purpose of working out a common nomenclature for iron and steel products.

This committee has almost completed its work in respect of pig-iron, but is still working on the nomenclature for merchant steels.

CO-OPERATION WITH THE GOVERNMENTS WITH REGARD TO A GENERAL POLICY OF EXPANSION

150. In October 1953, the six governments of the member States agreed to join with the High Authority in examining their general expansion and investment policy with a view to regularizing or influencing general consumption, in particular that of the public services, and harmonizing this overall development with the measures taken by the High Authority. They had further agreed to make a regular study of developments in the general economic situation, in co-operation with the High Authority.

After the data of an extensive inquiry had been assembled in March 1954, a joint committee consisting of representatives of the governments and of the High Authority met for discussions in November 1954 and March 1955. This committee came to the conclusion that the resolution of October 13, 1953, should be interpreted not as a measure dictated by a given economic situation, but as a permanent method of examination and co-operation which can be adapted to varying circumstances.

On the basis of its findings, the committee endeavoured to establish the definition and method of examination of the following questions:

- prospects and conditions for the general development of the national economies of the different countries for the next five and ten years;
- prospects for the development of the various sources of energy, and study of factors influencing consumption in this field, such as taxation, Customs duties, investment policy, methods of fixing prices and price-structure;
- extension of the study of distortions affecting the competitive conditions between industries of the Common Market (incidence of fiscal systems on investments and on the structure of enterprises, incidence of wages and social charges);
- problems connected with the regulation of trade within the Common Market;
- problems in regard to the financing of investments.

The studies on the first three points are to be carried out side by side, while the last two points can be examined separately.

CHAPTER IV

INVESTMENTS AND THEIR FINANCING

151. In its *Report on the Situation of the Community*, published on January 10, 1953, the High Authority had already set out the objectives it was pursuing in regard to the development of coal and steel consumption, and the repercussions which this development would have on investments and their financing. A number of the estimates which had been drawn up at the time were considered to be rather optimistic. The High Authority explained that they represented provisional figures, and pointed out that it was difficult to make forecasts in this field and absolutely essential to carry out further surveys for the purpose of checking such forecasts.

According to these first estimates, the production of crude steel was expected to reach 47 - 50m. metric tons, that of coal between 275 and 285m. and that of iron ore 22 - 23m. metric tons per annum (iron content) «within 4 to 5 years», *i. e.* by 1956-57.

The High Authority was thus already at that time concerned with the problem of covering raw-material requirements, the more so since the first information it had assembled showed that the iron and steel industry of the Community was increasing its production capacity very considerably. While the estimates in respect of coal production have had to be re-examined in the light of the latest develop-

ments in other sources of energy and the need to supply the consumer as cheaply as possible, the forecasts in respect of steel and iron ore are not far from being fulfilled.

Alongside the expansion of their production capacity, the Community industries had to raise the level of productivity so as to make it possible not only to improve the quality of their products, but also to lower production costs and achieve better working conditions. Special consideration had to be given to the housing of workers, which is a condition *sine qua non* if workers are to take an active share in the general endeavour to raise productivity, and a means of advancing towards a better standard of living, which is one of the fundamental aims of the Community.

It was on these considerations that the Community, in April 1954, contracted its first loan from the United States Government, for 100 million dollars.

The investments to be financed out of this loan, in accordance with the criteria laid before the Common Assembly at its extraordinary session in January 1954, were in connection with the modernization, mechanization and development of coal and iron-ore production, ore-dressing, the modernization and extension of coking-plant capacities, the construction of pithead power-stations with the object of increasing the consumption of low-grade products, and the construction of workers' houses.

152. Last summer, the High Authority announced the general principles governing its financial policy and the conditions on which it proposed to grant loans. (1) In response to this announcement, the enterprises submitted applications for loans totalling \$ 157 m. for purposes of industrial investment.

(1) See *Report on the Situation of the Community*, November 1954, Nos. 93 and 94, and *Official Gazette of the Community*, of July 31, 1954.

As we know, the High Authority had divided the amount of the American loan into two parts, viz. \$75m. for industrial investments and \$25m. for the construction of worker's houses.

Allocation of loans

153. The High Authority took its first decisions on loans on December 8, 1954, and several more at the beginning of 1955. A general decision was also taken in regard to the Belgian pithead power-stations, but the final conclusion of the loan agreements has been somewhat delayed by essentially legal problems which the parties concerned are endeavouring to solve.

The loans so far granted amount to \$ 64.4 m. allocated as follows:

TABLE 30
Allocation of the first High Authority Loans

(in millions of dollars)

Pits and mine-owned coking-plants :

Ruhr	12.31
Aachen	3.50
Nord/Pas-de-Calais	2.43
Lorraine	3.30
Aquitaine	0.57
Saar	1.20
<i>Total</i>	23.31

Pithead power-stations :

Ruhr	15.39
Belgium
Nord/Pas-de-Calais	3.85
Lorraine	3.85
Saar	3.80
<i>Total</i>	26.89

Extraction and dressing of iron ore :

Germany	2.10
Italy	4.10
Lorraine	7.00
Luxembourg	1.00
<i>Total</i>	14.20

Grand Total **64.40 (1)**

¹⁾ The following enterprises have been granted loans:

a) *Pits and mine-owned coking plants:*
Eschweiler Bergwerksverein, Aachen,
Bergbau AG. Neue Hoffnung, Oberhausen,
Eria Bergbau AG., Castrop-Rauxel,

- Bergbau AG. Constantin der Grosse, Bochum,
 Hoesch Bergwerke AG, Dortmund,
 Steinkohlenbergwerke Friedrich-Heinrich AG, Kamp-Lintfort,
 Bergbau AG. Ewald — König Ludwig, Herten,
 Gewerkschaft Haus Aden, Herten,
 Gebrüder Stumm G. m. b. H., Zeche Minister Achenbach, Brambauer
 Steinkohlenbergwerk Heinrich Robert, Hamm,
 Bergwerksgesellschaft Hibernia AG., Herne,
 Märkische Steinkohलगewerkschaft, Heessen,
 Hamborner Bergbau AG., Duisburg-Hamborn,
 Bergbau AG. Lothringen, Bochum,
 Concordia Bergbau AG., Oberhausen,
 Bergwerke Königsborn Werne AG., Unna,
 Arenberg Bergbau — G. m. b. H., Essen,
 Charbonnages de France, Paris,
 Nord/Pas-de-Calais coalfield,
 Lorraine coalfield,
 Aquitaine coalfield,
 Saarbergwerke, Saarbrücken.
- b) *Pithead power-stations:*
 Gewerkschaft Auguste-Viktoria, Steinkohlenbergbau und Bleizinkerzbergbau, Marl,
 Concordia Bergbau AG., Oberhausen,
 Gelsenkirchener Bergwerke AG., Essen,
 Altensener Bergwerks — AG., Essen-Altensessen,
 Bergwerksgesellschaft Hibernia AG., Herne,
 Arenberg Bergbau G. m. b. H., Essen,
 Märkische Steinkohलगewerkschaft, Heessen,
 Rheinpreussen AG. für Bergbau und Chemie, Homburg,
 Klöckner-Werke AG., Duisburg,
 Hamborner Bergbau AG., Duisburg-Hamborn,
 Bergbau AG. Lothringen, Bochum,
 Charbonnages de France, Paris,
 Nord/Pas-de-Calais coalfield,
 Lorraine coalfield,
 Saarbergwerke, Saarbrücken.
- c) *Extraction and dressing of iron ore:*
 Erzbergbau Siegerland AG., Betzdorf/Sieg,
 Erzbergbau Salzgitter AG., Watenstedt,
 Ferromin S. p. A., Genova,
 Cornigliano S. p. A., Cornigliano,
 Ilva Alti Forni e Acciaierie d'Italia, Genova,
 Nazionale Cogne S. p. A., Cogne,
 Société des Mines de Salzerale, Nancy
 Société de Moutiers, Paris,
 Compagnie des Forges de Châtillon, Commentry et Neuves-Maisons, Paris,
 Société anonyme d'Errouville, Paris,
 Union des Consommateurs de Produits métallurgiques et industriels (U. C. P. M. I.),
 Paris,
 Union sidérurgique lorraine (SIDELOR), Metz,
 De Wendel et Compagnie, S. A., Paris,
 Hauts Fourneaux et Acieries de Differdange, St. Ingbert-Rumelange (H. A. D. I. R.),
 Luxembourg.

Technical and economic aspects of the loans granted

154. Applications submitted by the enterprises in respect of the first loan portion totalled \$ 157.3, made up as follows: :

— collieries (pits)	\$ 40.91 m.
— pithead power-stations	\$ 73.69 m.
— coking plants	\$ 14.62 m.
— iron ore (extraction and dressing)	\$ 28.08 m.

Total : \$ 157.30 m.

Before taking its decisions, the High Authority convened regional committees of experts in order to have the benefit of their advice regarding the technical and economic value of the applications received. These committees were issued with directives concerning the method to be employed in examining the applications, and High Authority representatives sat in with the committees, thereby ensuring that these directives were followed.

At the same time, the High Authority requested its banking agents in the different countries ⁽¹⁾ to furnish a detailed account of the borrowers' financial position the securities offered as guarantee for the loans, and of the financing plan set up by each enterprise.

155. In taking its decisions, the High Authority was guided to a great extent by the opinions expressed by the expert committees, which were for the most part in accordance with the criteria laid down by the High Authority. Thus it rejected projects which did not conform with these criteria (*e.g.* schemes taking too long to materialize, acquisition of equipment which depreciates over a short- or medium-term period). Where necessary in view of the number and importance of the applications, the High Authority asked the committees to draw up priorities. Finally, the High Authority rejected applications which did not conform with the financial conditions it had laid down.

Contrary to the opinions expressed on occasion by the expert committees, the High Authority ruled out applications in respect of coking-plants, except where the projects submitted were aimed at increasing availabilities of coal-gas (in particular by the construction of fully-gasifying producers), and provided the expenditure involved was inconsiderable. From the information in the High Authority's possession it would seem that the coking-plants at present existing or building are adequate to meet the coke requirements of the iron and steel industry of the Community for the next two or three years.

(1) The banking agents appointed by the High Authority are the following :

Belgium: Société Nationale de Crédit à l'Industrie;
France: Caisse des Dépôts et Consignations; Crédit National;
Germany: Kreditanstalt für Wiederaufbau;
Italy: Istituto Mobiliare Italiano;
Luxembourg: Caisse d'Epargne de l'Etat;
Saar: Caisse des Dépôts et Consignations (provisionally).

Finally, loans were granted primarily for projects which aim at improving the production conditions for the basic raw materials, i.e. coal, coke and iron ore. Thus, out of a total of \$ 64.4 m. already granted, \$ 26.89 m., or 40 %, have been allocated to mine-owned power-stations and power-stations which, through the sale of current, will valorize low-grade products which make up an ever-increasing percentage per ton of output in all the coalfields. The proportion of credits going to power-stations will increase still further, and is expected to reach 50 % when the decisions in respect of the Belgian applications have been taken. Similarly, the amounts allocated to the iron-ore mines are mostly for ore-crushing and sintering plant, which it is hoped will result in a saving in both ore and coke per metric ton of pig-iron produced. The amounts allocated to coking-plants will make it possible to increase availabilities of coal-gas by replacing it with producer-gas for heating the furnaces. As for the colliery pits themselves, considerable sums are to be spent on modernizing the washeries and on constructing new ones, to enable fuller use to be made of run of-mine coal.

156. The investments for which loans have been granted are mainly concerned with the following technical installations:

- a) *Colliery pits.* — The projects include, in particular, the development of a new pit in the *Ruhr*, whose production, which totalled only 430 000 metric tons per annum in 1953, is to be brought up to more than 2 m. metric tons in twelve years' time; three concentrations of workings and various modernizations are also planned. In *Lorraine*, a new pit is to be sunk to work the first bituminous coal in this coalfield (1 500 000 metric tons a year by 1964); in another pit, production is to be raised from 1 800 000 to 2 700 000 metric tons a year with an appreciable reduction of production costs. At *Aachen* (Aix-la-Chapelle), an old pit is to be developed, whose output will then partly fill the gap left by capacities no longer in existence and at the same time lower production costs. In the *Nord/Pas-de-Calais* coalfields, one concentration, the extension of another and the modernization of a group of washeries are planned.
- b) *Pithead power-stations.* — In the *Ruhr*, investments are mainly concerned with boilers; out-of-date plant burn-

ing saleable products is to be replaced by powerful high-pressure boilers. In the *Nord/Pas-de-Calais*, the first self-contained 115-125 000-kW unit is to be set up in a new power-station, to transmit current produced from low-grade products to the general supply system. In *Lorraine*, a new 200 000-kW unit is planned (the first of its kind to be set up in the hard-coal industry of the Community) or two 100 000-kW units using low-grade products. In the *Saar*, a new power-station with a capacity of 110-130 000 kW is to be set up. In *Belgium*, projects which the High Authority expects to finance in part concern four 100 000-kW sets.

- c) *Coking-plants*. — Projects approved will increase availabilities of coal-gas by some 250 m. cubic metres (8 830 m. cub. ft.) per annum.
- d) *Extraction and dressing of iron ore*. — The surveys carried out by the Consultative Committee, which tally with those of the High Authority, have revealed that for a gross steel production of 50 m. metric tons by 1957 with a fairly constant ratio between the various processes, the consumption of pig-iron would amount to roughly 41 m. metric tons and that of scrap to 22 - 23 m. Iron-ore requirements would be between 31.6 and 33 m. metric tons (iron content). On the basis of the same ratio in the sources of supply as in 1952, 9 - 10 m. metric tons of the required 32 - 33 m. metric tons of ore could be imported and roughly 23 m. could be provided from the production in the Community, as against the present 18.5 m.

The principal loans granted by the High Authority are in respect of modernizations to plants in *Lorraine*, *Germany* and *Italy*, as well as the working of a new mining concession in the immediate vicinity of ore-consuming works (1m. metric tons in an initial stage, rising eventually to 2 m.).

Furthermore, several new crushing, screening and sintering plants are expected to bring about considerable reductions in production costs, as they will ensure a saving in coke, a better recovery of ore fines and an increase in the pig-iron production of the blast-furnaces.

157. It may be added that of the total amount of the loans already granted, \$ 46.14 m. or 72 %, are in respect of "investments planned", that is, investments on which no appreciable sums had been expended up to the second half of 1954, and \$ 18.26 m., or 28 % on "investments under way."

Financial aspects of the loans granted

158. When the High Authority made public the principles governing its financial operations in the field of investment, it made it clear that its contribution to the financing of investment projects would be of a partial nature only, by way of supplementing the normal sources employed for such financing.

No hard-and-fast percentage had been laid down for the proportion of the credits to be granted by the High Authority in relation to the total expenditure to be financed. It had, however, been stated that the High Authority's loans would, as a rule, amount to between 20 and 30 % of the overall cost of each project, the remainder to be found out of the enterprises' own resources and other outside sources.

The High Authority had further announced that in calculating the total amount to be financed, it would, as a general rule, consider only expenditures to be incurred after January 1, 1955.

The first decisions taken by the High Authority demonstrate the manner in which these criteria have been applied in actual practice.

The following table shows the various sources of capital (set out by categories) contributing to the realization of the projects for which the High Authority has decided to grant financial assistance.

The foregoing table shows that the loans granted by the High Authority amount, as laid down, to between 20 and 30 % of the total expenditure to be financed.

As this plan covers the financing of specific projects which represent only a part of the investments planned by the enterprises, the comparison between own resources and loans as shown in the above table should not be taken as providing an overall picture of the financial situation of the enterprises concerned.

TABLE 31

Financing Plan in respect of Investments carried out with Assistance from the High Authority

(in millions of dollars)

	Expenditure after 1. 1. 55	High Authority loans	Own resources (°)	Other loans	Miscellaneous(1)
<i>Pits and coking plants :</i>					
<i>Total</i>	106,80	23,31	33,84	39,74	9,91
<i>Percentage</i>	100	21,80	31,7	32,2	9,3
<i>Power-stations (2)</i>					
<i>Total</i>	122,82	26,89	37,01	51,42	7,50
<i>Percentage</i>	100	21,90	30,10	41,90	6,10
<i>Iron ore :</i>					
<i>Total</i>	49,14	14,20	14,90	13,77	6,27
<i>Percentage</i>	100	28,90	30,30	28	12,80
<i>Overall Total</i>	278,76	64,40	85,75	104,93	23,68
<i>Percentage</i>	100	23,1	30,8	37,6	8,5

(1) Registered capital and reserves, depreciations, other miscellaneous capital assets (stock movements), and profits.

(2) This item represents the difference between the amounts applied for by the enterprises and the amounts actually granted. In practice, this difference will be covered either by increasing the proportion of the enterprises' own resources or by resorting to other sources of capital.

(3) As the agreements in respect of loans to Belgian enterprises have not yet been signed, the figures for Belgium are not included in this table.

Construction of workers' houses

159. Out of the funds derived from the American loan, the High Authority had set aside a total of \$ 25 m. for the purpose of contributing, by way of loans, to the financing of housing for the workers of collieries and iron-ore mines (1). One fundamental problem had, however, to be settled first, namely that of the exchange risk in the event of devaluation of the borrower's national currency in relation to the dollar. For while, in the case of loans in aid of industrial investments, this risk is normally borne by the enterprises, it would be out of the question to make similar arrangements for investments concerned with workers' housing.

(1) See Nos. 203 and 204 below.

As it has not been possible to induce the *Export-Import Bank* to make the equivalent of \$ 25 m. available in European currencies, the High Authority has opened negotiations in Germany, Belgium, France and Italy with the object of finding a method which would enable it to contribute to the financing of the building operations planned.

This is to enable the High Authority to use the amount of the American loan which has thus become available for a further allocation of loans — in accordance with the same criteria as those applied to the first — to collieries, thermal power-stations and coking-plants, as well as plant for the production and dressing of iron-ore.

Administration of securities furnished by enterprises

160. In addition to taking measures in regard to the employment of the American loan and endeavouring to find supplementary resources for the financing of workers' houses, the Authority laid down the basis for its future loan policy.

The securities furnished to the High Authority by the enterprises to whom it grants loans form the common pledge for all present and future lenders, who are thus placed on an equal footing, without privileges for the first lender or advantages to the dollar over European currencies.

Under a pledge agreement signed in Luxembourg on November 28, 1954, the securities thus assigned in common pledge are administered by the *Bank of International Settlements*, at Basle.

Yield of the levies and its employment

General levy

161. Before the end of the Community's second financial year, which extended from July 1, 1953, to June 30, 1954, the High Authority issued a decision, dated June 23, 1954, according to which the levies on the production of coal and steel provided for in Articles 49 and 50 of the Treaty are to be imposed subject to the conditions laid down in the regulations and decisions in force, that is to say at the rate of 0.9 %, until the end of the financial year ending June 30, 1955 ⁽¹⁾.

(1) Decision No. 29/54, of June 23, 1954. *Official Gazette of the Community, June 23, 1954.*

162. In view of the introduction of the Common Market for special steels, the High Authority on June 25, 1954, issued a decision including of the special steels in group *c* Annex III of the Treaty among the products subject to the levy ⁽¹⁾; the special steels of groups *a* and *b* had been subject to the levy since the beginning of 1953, under the same conditions as the other products of the Community.

163. The Community's second financial year ended on June 30, 1954. Receipts from the levy on the production of coal and steel amounted to \$ 48 m. (units of account).

The yield of the levy for the second financial year and its employment were set out in the *Report on the Situation of the Community* published in November 1954 ⁽²⁾.

In accordance with a rule adopted at the beginning of 1954, the High Authority had drawn up its estimates of the employment of the yield of the levy for the second half of 1954, before the end of the second financial year ⁽³⁾.

A comparison of these estimates with actual results shows that the yield of the levy was slightly higher and the administrative expenditure slightly lower than anticipated:

	Estimates	Résults
RECEIPTS	24	27,8
EMPLOYMENT OF RECEIPTS :		
a) allocation to guarantee fund	15	17,5
b) allocation to readaptation fund	5	5,7
c) allocation to technical research fund	2	2,0
d) administrative expenses of the High Authority and advances to the other institutions	5	4,6
e) balance to be allocated	— 3	— 2,0
<i>Total</i>	24	27,8

(1) Decision No. 30/54 of June 25, 1954, amending Decision No. 2/52 of December 23, 1952. *Official Gazette of the Community*, August 1, 1954.

(2) See *Report on the Situation of the Community*, November 1954. No. 102.

(3) See *Report on the Situation of the Community*, November 1954. No. 100.

164. On January 11, 1955, the High Authority drew up its estimates for the employment of the funds derived from the levy for the first six months of 1955. The estimates are based on the assumption that receipts will not fall below those for the second half of 1954.

Calculated on this basis, the yield would total 26 m. dollar units of account, to which must be added 1 m. dollars representing the surplus not appropriated during the second half of 1954. The High Authority has decided to allocate 18 m. dollar units of account to the guarantee fund, 3 m. to the readaption fund, 1 m. to the technical research fund and 5 m. for the administrative expenses of the four institutions of the Community.

Accordingly, the estimates for the employment of the funds derived from the levy up to and including June 30, 1955, are as follows

(in millions of dollar units of account)

	Balance at 31. 12. 54	Estimates for first six months of 1955	Amounts available until 30. 6. 55
YIELD OF LEVY.....	70	26	96
EMPLOYMENT OF RECEIPTS :			
a) allocation to guarantee fund	52	18	70
b) allocation to readaptation fund	13	3	16
c) allocation to technical re- search fund.....	3	1	4
d) administrative expenses of the High Authority and ad- vances to the other insti- tutions	—	5	5
e) still to be allocated	2	— 1	1
Total	70	26	96

165. The financial position of the Community as at February 28, 1955, was as follows

(in millions of dollar units account)

A) Revenues :	
— first financial year	10.6
— second financial year	48.7
— third financial year (first 8 months)	37.5
Total	96.8

B) <i>Employment of receipts:</i>	
— allocation to guarantee fund	60.4
— allocation to readaptation fund	14.0
— allocation to technical research fund	3.4
— expenses for technical research	0.4
— administrative expenses:	
— first and second financial years.....	11.7
— third financial year (8 months):	
High Authority	3.2
advances to other institutions	2.5
	17.4
— still to be allocated	1.2
	<i>Total</i> 96.8

166. The following sums have been returned in respect of the levy on production

(in millions of dollar units of account)

	for the year 1954	for January 1955
hard coal and lignite	24,9	2,1
pig-iron and steel	28.7	2.7
<i>Total</i>	53,6	4.8

These returns are distributed as follows among the enterprises of the various Community countries

(in millions of dollar units of account)

	1954	%	January 1955
Germany	25.4	47.4	2.2
Belgium	5.9	11.0	0.5
France	12.2	22.8	1.1
Saar	3.4	6.3	0.3
Italy	3.0	5.6	0.3
Luxembourg	1.7	3.2	0.2
Netherlands	2.0	3.7	0.2
<i>Total</i>	53.6	100	4.8

Compensation levy

167. In application of the provisions of the Convention (Sections 25 to 27) in regard to Belgian and Italian coal, the High Authority, by its decision of February 7, 1953, imposed a compensation levy on the coal production of the German and Netherlands enterprises, whose production costs are today the lowest in the Community (1).

During the first year of the operation of the Common Market, the rate of this levy was not to exceed 1.5% of the receipts subject to the levy. According to the same provision, it is to be lowered each year by 20%.

By Decision N° 27/53, of March 8, 1953, the rate was fixed at 1.1% of the aforementioned receipts, representing 55 pfennigs per metric ton, for German enterprises and 42 cents for Netherlands enterprises (2).

Finally, by Decision N° 3/55 of February 8, 1955, the rate of the levy was reduced to 0.9%. The amount payable by the German enterprises was thereby brought down to 41 pfennigs per metric ton, while the payments of the Netherlands enterprises went up to 44 cents per metric ton on account of the price increases which had occurred since 1953 (3).

168. The following amounts were received in respect of the compensation levy:

(in thousands of dollar units of account)

	1953 (March 15- Dec. 31)	1954 (Jan. 1- Dec. 31)	1955 (Jan. 1- Feb. 28)	Total
Germany	9,352	15,010	2,614	26,976
Netherlands	864	1,197	200	2,261
<i>Total</i>	10,216	16,207	2,814	29,237

(1) Decision No. 1/53 of February 7, 1953. *Official Gazette of the Community*, of February 10, 1953.

(2) *Official Gazette of the Community*, of March 13, 1953.

(3) *Official Gazette of the Community*, of February 8, 1955.

The following disbursements were made in respect of this compensation

(in thousands of dollar units of account)

	1953 (March 15- Dec. 31)	1954 (Jan. 1- Dec. 31)	1955 (Jan. 1- Mar. 31)	Total
A. To the Belgian collieries :				
— sales of Belgian coal in Belgium) (Section 26,2,a) ...	8,120	10,334	886 (1)	19,340
— sales of Belgian coal in other Community countries (Section 26,2,c)	948	2,552 (2)	..	3,500
<i>Total</i>	<i>9,068</i>	<i>12,886</i>	<i>886</i>	<i>22,840</i>
B. To the Italian mines at Sulcis :				
(Section 27)				
— on October 18,1953	1,680			
— on December 29,1953	720			
— on July 28,1954			640	
— on December 23,1954			720	
— on March 25,1955			1,280	
<i>Total</i>	<i>2,400</i>	<i>1,360</i>	<i>1,280</i>	<i>5,040</i>
Total				27,880

(1) Payment in respect of January 1955.

(2) Payments in respect of 11 months January-November 1954.



CHAPTER V

LABOUR PROBLEMS

169. The mission of the Community is to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living *in the six countries* which established it.

Accordingly, all the measures undertaken by the High Authority have a variety of direct and indirect, short-term and long-term social and economic implications. More particularly, however, the institutions of the Community have to improve the living and working conditions of the labour force so as to "harmonize them in an upward direction" *in all the industries coming under its jurisdiction.*

The operations undertaken or continued by the High Authority in this connection during the past year have been mainly concerned with

- 1) — the obtaining of fuller information on developments in employment, and assistance towards the readaptation of workers who have been obliged to change their jobs as a direct or indirect result of the introduction of the Common Market ;
- 2) — the application of those provisions in the Treaty which enable workers to seek employment in any Community country without discrimination ;
- 3) — the systematic publication of details on wages and social advantages, and on working conditions, in the various countries and coalfields of the Community ;

- 4) — the launching of an experimental workers' housing scheme, with the object of bringing about a reduction in building costs;
- 5) — the co-ordination of work on occupational training and industrial health and medicine, and publication of the findings.

170. All this is being done with the object of laying down the broad outlines for a long-term programme, while at the same time achieving quick and definite results, some of which have, in fact, already been attained. The work is going ahead with the assistance of all those in a position to make a useful contribution, notably the workers themselves.

Developments in Employment and Readaptation of Workers

DEVELOPMENTS IN THE EMPLOYMENT SITUATION

171. In the six Community countries, 1.4m. workers, or 6 % of the industrial labour force, are employed in the coal and steel industries. Two-thirds of these workers are employed in coalmining, as against 30 % in iron and steel, and the remainder in the iron-ore mines. (1).

Over the last four years, the average number of hard-coal workers rose from 927 300 in 1950, to 935 400 in 1952, and then dropped again to 917 600 in 1954; the 1938 figure was 787 000. The number of iron and steel workers increased during the same period from 391 100 to 409 200, touching 433 100 in 1952. The workers in the iron-ore mines numbered 46 600 in 1950, 52 600 in 1952, and 50 500 in 1954.

In all, manpower in the industries of the Community rose by 12 300, or 0.9 % between 1950 and 1954 (increase of 22 000 in the iron and steel industry and the iron-ore mines, decrease of 9 700 in the collieries).

(1) See account in the High Authority's *Informations Statistiques* No. 2, 1955.

TABLE 32

Workers employed in the industries of the Community
in 1950 and 1954 ⁽¹⁾*(in thousands)*

	Coal-mining	Iron & steel industry	Iron-ore mines	Total	%
<i>1950</i>					
Germany	390.8	122.7	16.4	529.9	38.8
Belgium	155.9	43.3	0	199.2	14.6
France	266.3	130.5	26.2	423.0	31.0
Saar	60.0	21.3	—	81.3	6.0
Italy	11.8	49.6	1.5	62.9	4.6
Luxembourg	—	18.1	2.5	20.6	1.5
Netherlands	42.5	5.6	—	48.1	3.5
Community :	927.3	391.1	46.6	1 365.0	100.0
<i>1954</i>					
Germany	433.0	147.1	18.6	598.7	43.5
Belgium	149.9	45.2	0	195.1	14.2
France	219.7	118.0	27.2	364.9	26.5
Saar	58.0	25.3	—	83.3	6.0
Italy	9.2	48.0	2.3	59.5	4.3
Luxembourg	—	18.9	2.4	21.3	1.5
Netherlands	47.8	6.7	—	54.5	4.0
Community :	917.6	409.2	50.5	1 377.3	100.0

⁽¹⁾ Yearly average. Figures not comparable from one country to another.

These variations, differing in degree and even in direction according to countries, industrial basins and branches of production (underground and surface, blast-furnaces, steelworks and rolling-mills), are produced by factors which in their turn vary very considerably, whether economic (development or stagnation in production) or structural (technical advance, rationalization).

Variations in manpower employed from 1950 to 1954 may be expressed in the following percentages :

Coalmining

Dutch Limburg	+ 12.4 %	Saar	— 2.2 %
Ruhr	+ 10.0 %	Borinage	— 7.9 %
Lorraine	+ 1.4 %	Nord/Pas-de-Calais	— 16.3 %
		Italy	— 20.0 %
		Centre-Midi	— 28.2 %

Iron and steel industry

Germany	+ 19.8 %	Italy	— 3.3 %
Netherlands	+ 19.6 %	France	— 9.6 %
Saar	+ 18.7 %		
Belgium	+ 4.4 %		
Luxembourg	+ 4.4 %		

Iron-ore mines

Italy	+ 60.0 %	Luxembourg	— 8 %
Germany	+ 13.4 %		
France	+ 3.8 %		

173. The expansion of employment in the industries of the Community occurred mainly in Germany and the Netherlands (68 000 and 6 400 workers respectively from 1950 to 1954). In these two countries, recruitment has so far been adequate, either by reason of the influx of refugees from Eastern Europe, or as a result of population trends.

The decreases have in general resulted from the non-replacement of workers leaving the industry rather than from actual laying-off. This has the disadvantage of increasing the proportion of old workers, and creating in some areas, an unemployed potential of young workers whose wages always used to form part of the total income of the working-class families. Fluctuations in employment in these districts require to be followed with particular attention, the more so in that they frequently come up against extra difficulties over employment, in consequence of recessions in industries other than those of the Community, or of industrial underdevelopment.

In some enterprises, there has been a certain amount of laying-off following a reduction or change-over in production. In a number of cases, the High Authority was asked by the governments concerned for financial assistance, to be used in connection with the re-employment or readaptation of labour.

174. Clearly, it is difficult to dissociate any analysis of employment in the industries of the Community from a general analysis. For this reason, the High Authority has made arrangements for regular consultations with the member governments, for the purpose of clarifying how employment is developing, which areas are particularly threatened, and what possibilities there are for the re-employment or readaptation of workers.

To this end, surveys on regional level and carefully limited as to range and objectives, can provide basic information for such ultimate decisions as may be necessary to restore normal conditions of employment.

175. The level of employment needs to be looked at not merely from the general standpoint and from that of the development in the various branches of production, but also with regard to the different qualifications of the workers.

In view of the complexity of the elements to be studied it seemed advisable to limit the terms of reference for the surveys at the present stage. Accordingly, those now going on are pilot inquiries dealing with Bessemer steelworks and rolling-mills in the iron and steel industry, and with isolated units (one pit) in the collieries and iron-ore mines.

RE-EMPLOYMENT AND READAPTATION OF LABOUR

176. In March, 1953, the High Authority decided, at the request of the French Government, to contribute, by means of non-repayable assistance, to the financing of a programme introduced by the Charbonnages de France for the re-employment of miners from the Centre/Midi coalfield, who are being offered work by the collieries in Lorraine. In conformity with Section 23 of the Convention, the High Authority's share covers half the estimated expenditure involved in meeting the travelling expenses and cost of household removal for the workers and their families, as well as resettlement allowances of Ffr. 200,000.— for married men and Ffr. 75,000.— for unmarried workers.

Notices by the Charbonnages de France, informing workers of the employment offered, were posted in the Aquitaine, Provence and Cévennes coalfields in mid-April, 1954. Workers' delegations from these coalfields came to Lorraine in May to inspect

the localities, make all necessary contacts, and collect information for the workpeople concerned. The first workers to take advantage of the offer were given a medical examination and arrived in the Lorraine coalfield at the end of May.

By the beginning of 1955, the number of volunteers who had enrolled for transfer had risen to 258, of whom 145 had left for Lorraine (94 married, 51 unmarried). This is well below the original estimates of the French Government and the Charbonnages de France, which had suggested a figure of some 5,000 over a period of three years. The difficulties are chiefly connected with the housing problem. Arrivals in Lorraine have to be adjusted to the rate at which new houses are completed, which are either allocated to the miners from the Centre/Midi or enable other accommodation to be vacated. After various discussions, at which the High Authority was represented, the Houillères du Bassin de Lorraine decided to make a further building effort to improve housing conditions for unmarried miners: rather more than 200 housing units are to be built in 1955, in which some 1 200 single workers can be satisfactorily accommodated.

At the same time, in view of the reluctance of the Centre/Midi miners to leave their home area, even when their employment is threatened and their wages are reduced by days of non-employment, the High Authority proposed to the French Government that they should join in examining the opportunities for re-employment on the spot, either in industries directly connected with coal and steel, or in different industries altogether.

177. A second scheme of readaptation, covering 1 500 workers in the iron and steel industry of the Loire district, was decided upon by the High Authority at the end of July, 1954.

In this area, the introduction of the Common Market had induced certain enterprises to put into effect a programme of rationalization and modernization which had been envisaged since 1947. Thus, the Compagnie des Forges et Ateliers de la Loire, which was formed by the concentration of four previously existing enterprises, has undertaken a number of technical conversions necessitated by the introduction of the Common Market.

As a result of these conversions, certain of the work-people at present employed on iron and steel production will become redun-

dant, but within two years, after technical retraining, they can be re-employed either on actual iron and steel production or on the mechanical engineering side.

The French Government applied for, and was granted, the assistance of the High Authority for the joint financing of its efforts to maintain employment and arrange for the readaptation of the workers. The total cost of this projects is estimated at some Ffr. 300 m.

During the period required for carrying out the planned conversions, the workers will receive the basic wage of their particular trade, including social insurance benefits, for a forty-hour week. They may be employed within the enterprise either on work of a general nature or on work only partly connected with the production side, or they may attend various vocational-training courses either at a training-centre or at the works.

These arrangements are to be under the control of the French local government authorities in so far as they are financed out of the funds contributed by the French Government. The High Authority, for its part, reserves the right to make use of the controls mentioned above, or to carry out direct checks.

The High Authority and the French Government have agreed to arrange for contact at regular intervals with representatives of the workers' organizations, either at company or at national level, so that the workers themselves may be associated with the initiation and supervision of the scheme. The High Authority took the initiative in calling a meeting of trade-union leaders from the iron and steel industry of the Loire area, at the beginning of January, 1955, in order to explain to them the details of the procedure followed, and to invite suggestions.

178. As has been seen, the development of the *Italian iron and steel industry* in the last few years has been accompanied by a reduction in manpower.

As more workers were being laid off, discussions were started between the Italian Government and the High Authority in February, 1954. At the request of the High Authority, the Italian Government in January, 1955 announced its proposals in regard to the re-employment of discharged workers. It was prepared to set

aside Lit. 3 500 m. at a rate of 350 m. a year for ten years, to help finance new activities or the development of existing ones, on the understanding that enterprises receiving assistance must agree to recruit not less than 50% of the workers required for the new plants from among those previously laid off by the iron and steel industry. The High Authority was asked to contribute non-repayable assistance totalling Lit 3 500 m.

After examining these proposals, the High Authority took a decision in principle to make available to the Italian Government non-repayable assistance totalling some Lit. 3 000 m., which, in accordance with Section 23, 4 of the Convention are to be set aside for the direct benefit of the redundant iron and steel workers.

The High Authority has informed the Italian Government that, in view of the complexity of the various aspects of the action it was being asked to undertake, it felt that a discussion with the Council of Ministers would be necessary before this decision could be implemented.

179. As regards the action to be taken to enable Belgian coal to withstand competition in the Common Market, the Belgian Government considers that *two Borinage collieries* will shortly be obliged to close down several pits.

In order to alleviate the social consequences of these measures, the Belgian Government proposes to stagger them over a number of years, so as to facilitate the re-employment in other collieries of the workers at present employed in the pits which are to close down. It wrote on November 10, 1954, asking for the High Authority's assistance to enable the labour force gradually to regain steady employment.

The Authority declared this application admissible, and stated its willingness to contribute a maximum of Bfr. 200 m. Before coming to a definite decision, however, it is examining whether all the measures urged by the Belgian Government come under the heading of readaptation as set forth in Section 23 of the Convention.

180. The High Authority recently received two further applications in respect of readaptation measures, one from the French

Government on behalf of 221 workers of the Etablissements Bessonneau, Angers, and the other from the Italian Government, on behalf of 1 500 miners at the Suleis collieries in Sardinia.

181. It is evident from this that the High Authority's work in the field of readaptation takes very different forms in different cases. It holds the view that the way in which each problem is to be dealt with must depend on the special circumstances involved, so far as is consistent with the Treaty. It seeks to ensure the continuity of employment by availing itself of the various possibilities provided by a constructive interpretation of the Treaty.

It realizes, however, in the light of experience, that the provisions of the Treaty do not always allow it this margin of flexibility. For instance, it would seem desirable that in addition to tide-over payments or retraining allowances to workers there could be some provision for speeding up the creation of new jobs for these same workers. Again, something ought to be done for elderly workers who are unsuited for retraining purposes. Furthermore, it would be helpful if action could be taken on behalf of young workers (i.e. workers' sons, who normally always take their fathers' place in the works or mine concerned), who nowadays, in certain basins, have less and less chance of finding employment.

Under the provisions of the Treaty, these measures are extremely difficult to introduce.

These are limited aspects of the readaptation policy which the Treaty establishing the Community first began to turn into something to be shouldered by the authorities as an obligation, and demanded by the workers as a right.

These limits must always be kept in mind, for while they divide off the responsibilities of the High Authority from those of the member States, they also suggest on what points co-operation between them is especially desirable.

182. Concerned as it is with all problems relating to the mobility of labour, the High Authority, in accordance with the resolution adopted by the Common Assembly at its Session in May, 1954, has decided to conduct an inquiry into the social problems involved in the readaptation and migration of workers.

To this end, it has instructed six sociological research centres in the different Community countries to undertake the inquiry.

This should bring to light the various psychological and sociological obstacles which cause rigidity in the labour market, and make it difficult at times to take action in connection with the readaptation of workers.

Freedom of Movement for Workers

183. The member States of the Community have undertaken to allow, in the coal and steel industries freedom of movement for workers of recognized qualifications. In other words, nothing is to be done — subject to the limitations imposed by the fundamental needs of public health and order — to prevent workers qualified for a particular trade from seeking employment in areas where the general working conditions are better than elsewhere. Admittedly, the present housing difficulties, and certain other factors, are restraining workers from taking advantage of this right, but it had to be given *de facto* recognition, for even now extensive use could be made of it by the workers in certain coalfields and iron and steel producing areas which are artificially split up by national frontiers.

It should be added that there is no risk of a drop in the wage-level, in areas where wages are high, in consequence of this freedom of movement, since two safeguards have been introduced, namely the ban on wage-reductions as a means of competition between enterprises (Article 60 of the Treaty), and the ban on discriminatory measures against immigrant labour (Article 69).

184. After prolonged negotiations, in which the High Authority's part was confined to "guiding and facilitating the action of the member States" — this being a matter in which the power of decision remained in the hands of the national governments — a draft agreement was prepared in pursuance of Article 69 of the Treaty, and approved by the member States at the session of the Council of Ministers on October 27.

The chief provisions of the agreement are as follows: (1).

(1) See *Report on the Situation of the Community*, November 1954, Nos. 111 and 112.

1) — *Extent of application*

The recognized qualifications for the trades in the coal and steel industries are acknowledged by inclusion of the trades in the list annexed to the agreement. The conference drew up an initial list containing twenty-nine trades in the coal industry, and twenty-seven in the iron and steel industry, covering some 300-400 000 workers. This list may be extended.

2) — *Labour card*

A Community labour card has been introduced, which is issued to such workers with recognized qualifications in the coal and steel industries as apply for it and provide proof of a minimum period of employment.

The card is valid only in the sector — coal or steel — for which it was issued. It has, however, been agreed that any member State may allow holders of the card to accept employment in the other sector.

3) — *Workers' rights*

So long as the worker holds an unexpired card and follows one of the recognized trades included in the lists annexed to the agreement, he is not subject to any laws or regulations on the admission of aliens so far as the taking-up of paid employment is concerned.

The labour card enables the holder to travel freely in response to an offer of work communicated to him through the labour exchanges or sent to him directly, in writing, by an employer, provided the laws of the country in question in respect of the employment of its own nationals permitted this procedure at the time the Treaty came into force.

4) — *Part played by the High Authority*

A technical committee has been attached to the High Authority, consisting of one official from each member State who is an expert on employment questions and has been appointed specially by his government. The High Authority will provide the secretariat for this committee. The committee's task will be to supervise and further the working of the system whereby those offering

and those seeking employment are brought into touch with one another, and to suggest to the governments any changes which might improve this system.

It is provided that when two years have elapsed from the date upon which the agreement came into force, any member State may call upon the High Authority to convene a meeting of the other member States for the purpose of making any revision in the agreement which may be deemed necessary.

185. As it has already stated, the High Authority regards the agreement reached between the member States as a first step towards the creation of a "common market" for labour.

Such a market would, in fact, appear to be essential if conditions favourable to stable employment are to be created, and progress in living and working conditions is to be achieved everywhere at the same rate.

Nevertheless, the "common market" for labour, like the Common Market proper, cannot be created overnight. It would be impossible to proceed from a condition of strict control to a state of complete freedom for the entire foreign labour force of the two industries in question without causing disturbances which would be inimical to the aims laid down in the Treaty.

186. In mid-January, 1955, the High Authority convened an intergovernmental commission to work out the administrative arrangements required for the implementation of the agreement (which was in the form of a decision by the representatives of the governments of the member States meeting in the Council of Ministers). At its second meeting, in February, the commission adopted a draft of an agreement which has now been submitted for the approval of the governments.

This draft contains various arrangements for the issuing, extension and renewal of labour cards, and makes them valid for two years. It also lays down definite uniform rules for the working of the system whereby those offering and those seeking employment are brought into touch with one another, and for relations between the various labour exchanges and departments in this connection. It further specifies the relations between the technical commission

to be set up in accordance with the decision and the labour exchanges, and the information to be furnished by the exchanges to the commission to enable it to carry out its task.

The High Authority also requested the six governments to notify it of the action they will take for the implementation of the decision.

Finally, in July, 1954, the High Authority, in co-operation with the International Labour Office, convened a meeting of a committee of experts in Geneva to make preparations for an inter-governmental conference which was to study the draft of a European Social Security Convention in respect of migrant workers (1).

Wages and Working Conditions

187. Such basic factors in economic and social affairs as direct and indirect wages, social security systems, and working conditions generally, have hitherto been difficult to compare country by country, despite the work of such international bodies as the International Labour Office and numerous surveys made by the governments or industries concerned.

Under Article 46 of the Treaty, the High Authority is under obligation to "*gather any information required to assess the possibilities of improving living and working conditions*". It is entitled to publish such information, by way of "providing guidance for the action of all interested parties".

The High Authority has duly launched upon this task.

WAGES AND SOCIAL BENEFITS

188. The Second General Report of the High Authority, published in April, 1954, gave the first findings of the annual survey of the structure and level of the wages paid to the miners and iron and steel workers of the Community (2).

This survey dealing with 1952, was continued in 1953, and extended to include the iron-ore mines. The 1954 study is in progress as regards the iron and steel industry and the iron-ore mines, and in preparation in respect of the collieries.

(1) See No. 196 below.

(2) See *Second General Report*, Nos. 157-160, and *Documentation sur les Problèmes du Travail*, May 1954, pp. 77-115.

The same commission of inquiry, consisting of experts from the governments and from the producer's and workers' organizations, went ahead with its earlier studies while endeavouring to improve the statistical methods and bases employed. Among the particular duties of its three committees was that of clarifying the points coming under the various headings, in order to establish comparability of results.

The technical difficulties which presented themselves as a consequence of the diversities in official regulations, financing methods, terminology, etc. were not the only problems. Any attempt to lay down comparable statistical bases presupposes a willingness on the part of each country to discard its own standpoint in favour of a common one, to break with traditional methods and ideas, which are themselves bound up with customary accounting methods of the enterprises concerned. In certain cases, the tenability of the various points of view obliged the High Authority to decide the matter by arbitration.

As a result of the degree of co-operation achieved, work on the 1953 survey produced a very satisfactory standard of accuracy and comparability. This enabled certain changes to be made in the findings published last year. There are, however, a number of other improvements which could well be incorporated, notably as regard more precise details on the cost of occupational training and on the cost of housing.

189. The accompanying tables give the statistical data for 1953 in respect of the hard-coal mines, the iron and steel industry and the iron-ore mines.

Expenditure borne by the employer and earnings of the worker per hour effectively worked are shown in the currency of the country concerned.

The percentages indicated at the foot of each table give for each country the level of expenses and charges borne by the employer, or alternatively, of earnings accruing to the worker, in relation to wages proper. For greater statistical accuracy these percentages have been calculated on the basis of the overall amounts taken directly from the survey; they may differ slightly from percentages calculated on the basis of the hourly rates.

It has not been possible to work out the percentage for each of the items listed in the tables. Some of them (*e.g.* social security contributions, taxes on wages met by employer) are not based solely on wages proper.

Further details and supplementary information will be given in a separate document showing in full the results of the 1952 and 1953 surveys.

COALMINING INDUSTRY

Table 33 gives the wage cost per hour and related social charges, taken as an element of the costs borne by the employer.

Notes to Table 33

A) — The returns are in respect of coalmining enterprises (collieries proper and auxiliary services). Ancillary enterprises (coking-plants, patent-fuel works, briquetting-plants, nitrogen works, etc.) are not included.

B) — The following items are grouped under "wages proper":

a) Direct wages paid to all workers in coalmining enterprises, including overtime pay.

Also

— wages paid to mineworkers employed on capital investment schemes, so that data on their pay cannot be used in the calculation of production costs;

— wages paid to apprentices, with the exception of payments made to them for attending training courses;

— wages paid to workers employed on upkeep of workers' houses (regarded in some countries as social charges).

b) Bonuses on results and Christmas gratuities.

c) Wages for days of absence for trade-union delegations, payment of miners' delegates.

C) — Wages paid to workers employed in occupational training, maintenance of housing, transport of personnel, etc., are included under IV, V and VI.

TABLE 33

Cost of wages per hour and related employer's social charges per worker (underground and surface)

HARD-COAL MINES
(including auxiliary services)

Year 1953

	Germany	Belgium	France	Saar	Italy	Nether-lands
	DM	Bfr.	Ffr.	Ffr.	Lit.	fl.
I. <i>Wages proper</i>	2.06	29.71	190.57	202.35	189.12	1.72
II. <i>Pay for stand-off days:</i>						
a) Paid official holidays	0.06	0.96	1.17	4.27	8.42	0.04
b) Statutory holidays with pay, holiday allowances ..	0.12	2.35	16.13	15.83	8.04	0.07
c) Paid compassionate leave	0.01	0.04	—	0.60	0.09	0.01
III. <i>Social security contributions and family allowances:</i>						
a) Social security	0.62	5.22	37.30	53.94	49.79	0.48
1. Health, disablement and unemployment insur- ances, pension fund	(0.39)	(2.75)	(23.58)	(38.58)	(20.58)	(0.30)
2. Insurances for accidents at work and occupational diseases	(0.23)	(2.45)	(13.58)	(15.36)	(15.15)	(0.17)
3. Other voluntary or contractual contributions ..	(0.00) ⁽¹⁾	(0.02)	(0.14)	—	(13.06)	(0.01)

b) Family allowances	0.08	1.80	33.91	23.20	26.41	0.15
c) Other contributions :						
1. Italian housing fund („Ina Casa”)	—	—	—	—	2.04	—
2. Special unemployment tax (Italy)	—	—	—	—	7.15	—
IV. Cost of labour recruitment and training :						
a) Wages paid to apprentices and young workers while attending training-courses (exclusive of related charges, including bonuses on results)	0.01	—	1.22	1.11	—	0.02
b) Other expenses	0.03	0.02	3.31	6.39	—	0.04
V. Allowances in kind and similar gratuities :						
a) Coal, gas and electricity	0.10	1.39	12.86	12.98	6.77	0.06
b) Housing facilities	0.21	0.44	27.49	9.04	16.14	0.06
c) Other allowances in kind	0.00 ⁽¹⁾	—	—	—	2.18	0.01
VI. Other social contributions						
	0.03	0.61	6.11	9.63	8.52	0.07
VII. Refundable taxes and taxes on wages						
	—	—	10.26	10.98	—	—
Grand total :	3.33	42.54	340.33	350.32	324.67	2.73
In % in relation to wages proper ⁽²⁾	161.69%	143.19%	178.58%	173.12%	171.67%	158.54%

⁽¹⁾ Less than 0.005.

⁽²⁾ See No. 189 above.

IRON AND STEEL INDUSTRY

Table 34 (see page 166) gives the wage cost per hour and related social charges, taken as an element of the costs borne by the employer.

Table 35 (see page 168) shows the average gross and net earnings per worker per hour effectively worked.

Notes to both tables

A) — The returns are for the production side of the iron and steel industry, and for the auxiliary and ancillary services (workers which are taken into account insofar as the activity of the enterprise falls under the Treaty).

B) — *Wages proper equal the direct wages paid* (time-rate, piece-rate, performance-rate) — including, where appropriate, extra pay for overtime, night and Sunday work, heavy, dirty and dangerous work, upgrading, special responsibility and attendance pay, exclusive of payments to apprentices on indenture — *divided by the number of hours worked in the year.*

The supplementary family allowances which the employer may pay to the workers in consideration of special family circumstances are not included in this figure.

Notes to Table 34

C) — *The sub-total, or partial wage cost per hour, equals the wages proper plus the quotient obtained by dividing*

- *the statutory contractual and voluntary payments by the employer to health, maternity, disablement, pension, old-age, occupational-accident or unemployment insurance funds or organizations and to family allowance schemes ;*
- *the cost of holidays with pay (statutory and extra), official holidays (statutory and special), miscellaneous cash awards and allowances, Christmas and other gratuities, bonuses on results*

by the number of hours worked in the year.

D) — *The grand total, or wage cost per hour, equals the partial wage cost per hour, plus supplementary costs borne by the enterprise (allowances in kind, housing, various social contributions, cost of labour recruitment and training, taxes on wages, taxes on personnel employed), divided by the number of hours worked in the year.*

Notes to Table 35

E) — *Average gross earnings per hour equal cash payments received during the year (gross wages, holidays with pay both statutory and extra, official holidays both statutory and special, miscellaneous cash awards, gratuities, bonuses on results), divided by the number of hours worked during the year.*

F) — *Average net earnings per hour equal average gross earnings per hour, minus worker's social security contribution (statutory, contractual or voluntary), divided by the number of hours worked in the year.*

This figure does not allow for tax deductions borne by the worker, or for extra family allowances paid him by the employer or by a central organization.

IRON-ORE MINES

Table 36 (see page 170) gives the wage cost per hour and related social charges, taken as an element of the costs borne by the employer.

Table 37 (see page 172) shows the average gross and net earnings per worker per hour effectively worked.

The returns are in respect of the iron-ore mines and their auxiliary services.

Other explanatory notes are the same as those given to Tables 2 and 3 on the iron and steel industry.

190. Wages, average wage costs per hour, average earnings per hour and the like, however, provide only a very inadequate picture of the position of workers in the Community generally.

Variations from the average wage quoted can differ widely according to the wage-policy of the government or enterprise concerned. Supplementary surveys providing an estimate of these variations are at present in preparation.

TABLE 34

Cost of wages per hour and related employer's social charges

IRON AND STEEL INDUSTRY

Year 1953

	Germany	Belgium	France	Saar	Italy	Luxembourg	Netherlands
	DM	B/fr.	F/fr.	F/fr.	Lit.	L/fr.	fl.
I. <i>Wages proper</i>	2.06 ⁽¹⁾	30.36	154.15	169.88	236.90	33.07	1.50
II. <i>Social security contributions and family allowances:</i>							
a) Social security	0.45	5.42	24.28	30.64	55.60	4.59	0.26
1. Health, maternity and disablement insurances, pension fund	(0.24)	(3.97)	(15.79)	(16.85)	(45.24)	(2.67)	(0.16)
2. Unemployment insurance				(2.78)			(0.02)
3. Insurance for accidents at work and occupational diseases	(0.05)	(1.38) ⁽²⁾	(7.07)	(5.30)	(8.80)	(1.62)	(0.05)
4. Supplementary insurances	(0.16)	(0.07)	(1.42)	(5.71)	(1.56)	(0.30)	(0.04)
b) Family allowances	0.03 ⁽³⁾	(4)	26.44	20.33	27.16	1.78	0.09
c) Other contributions:							
1. Italian housing fund („Ina Casa”) ..	—	—	—	—	2.78	—	—

	—	—	—	—	—	—	—	—	—	—
2. Special unemployment tax (Italy)	—	—	—	—	—	—	—	—	—	—
III. <i>Gratuities and bonuses on results</i>	0.10	0.55	7.20	6.53	27.36	2.98	0.06			
IV. <i>Holidays with pay</i>	0.13	2.04	8.24	8.24	10.18	1.96	0.13			
V. <i>Paid official holidays</i>	0.06	1.03	0.53	2.90	12.14	1.08	—			
VI. <i>Miscellaneous payments</i>	—	—	0.31	—	3.35	0.43	—			
VII. <i>Cost of labour recruitment and training</i>	0.04	0.02	3.79	2.14	1.44	0.20	0.04			
VIII. <i>Allowances in kind and housing facilities</i>	0.12	0.35	17.10	7.99	6.27	0.38	0.05			
IX. <i>Various social contributions</i>	0.07	0.52	4.63	3.90	4.66	1.11	0.05			
X. <i>Provision for discharge allowances and earnings compensation fund (Italy)</i>	—	—	—	—	9.05	—	—			
XI. <i>Taxes and dues</i> (°)	—	—	8.43	8.78	—	—	—			
Grand total :	3.06	40.29	255.10	261.33	408.05	47.58	2.18			
In % in relation to wages proper (°)	148.75%	132.71%	165.49%	153.83%	172.24%	143.82%	145.63%			

(°) Exclusive of supplementary social payments which, in Germany, are usually included under "wages".

(°) In Belgium, accidents at work are not included under social security.

(°) "Supplementary family allowances."

(°) Family allowances will be found alongside contributions to health, maternity and disablement insurances and pension fund.

(°) In some countries the employer pays a tax assessed on the wages paid. This cannot, however, be regarded as a part of labour costs. (Per hour worked: DM 0.04 in Germany, Br. 0.06 in Belgium, Lfr. 0.48 in Luxembourg, fl. 0.70 in the Netherlands.)

(°) See No. 189 above.

The first survey deals with variations in gross wages paid to workers in very carefully-defined trades, one which is paid at the highest rate in the wage-scale and the other at the lowest. A preliminary check in respect of the iron and steel industry was carried out in integrated enterprises and non-integrated enterprises, selected in each iron and steel-producing area by experts on the commission. On the basis of the findings, the commission was able to settle the simplifications and improvements to be made in the statistical questionnaires.

TABLE 35
Average net earnings per hour per worker
IRON AND STEEL INDUSTRY
Year 1953

	Ger- many	Bel- gium	Fran- ce	Italy	Saar	Lu- xem- bourg	Ne- ther- lands
	DM	Bfr.	Ffr.	Ffr.	Lit.	Lfr.	fl.
I. <i>Wages proper</i> ..	2.06 ⁽¹⁾	30.36	154.15	169.88	236.90	33.07	1.50
II. <i>Gratuities and bonuses on results</i>	0.10	0.55	7.20	6.53	27.36	2.98	0.06
III. <i>Holidays with pay</i>	0.13	1.94	8.24	8.24	10.18	1.96	0.13
IV. <i>Paid official holidays</i>	0.06	1.03	0.53	2.90	12.14	1.08	
V. <i>Miscellaneous payments</i>	—	—	0.31	—	3.35	0.43	—
<i>Average gross earnings per hour</i>	2.35	33.88	170.43	187.55	289.93	39.52	1.69
VI. <i>Worker's social security contributions</i>	-0.21	-2.37	-10.00	-18.35	-12.03	-3.27	-0.14
<i>Average net earnings per hour</i>	2.14	31.51	160.43	169.20	277.90	36.25	1.55
In % in relation to wages proper ⁽²⁾	% 103.52	% 103.79	% 104.07	% 99.60	% 117.30	% 109.56	% 103.61

(¹) Exclusive of supplementary social payments which in Germany, are usually included under "wages".

(²) See No. 189 above.

The second survey deals with the distribution of worker's earnings by classes of earnings. A first experiment was organized in a number of iron and steel enterprises in France, Italy and Luxembourg ; the results are now being tabulated.

191. To gain an accurate idea of the wage position, it is necessary to have not only the figures for the level and variations of the amounts paid, but also a data on the structure of the wages and the method by which they are fixed. It should be noted that in a number of countries, the traditional method of differentiating the rate to be paid by categories of workers is being supplemented, or even replaced altogether, by methods based on job evaluation.

A preliminary survey of the use and results of this method has been begun in respect of Germany, where some hundred thousand iron and steel workers are now paid on the basis of job evaluation.

This survey will be published as soon as adequate data are available.

192. Piece-rate systems of payment have received particularly close attention, and the High Authority has just completed a detailed investigation of this problem.

This comparative survey — the first of its kind in Europe — reveals that some 60 % of the underground workers in the Community, i.e. approximately 400 000 men, are paid at piece-rates, and that their wages are on the average 15-30 % above those of workers paid at time-rates.

These figures emphasize the social and economic importance of this system in the coalmining industry of the Community.

A monograph giving the findings of this investigation has been drawn up and will be published shortly.

193. The relation of social security to the High Authority's responsibilities in general had to be studied from three angles :

- from the economic point of view, since it represents a charge upon the enterprises, the workers and, to an increasing extent, the governments ;

TABLE 36

Cost of wages per hour and related employer's social charges

IRON-ORE MINES

Year 1953

	Germany	France	Italy	Luxembourg
	DM	Ffr.	Lit.	Lfr.
I. <i>Wages proper</i>	1.58	250.43	188.12	42.58
II. <i>Social security contributions and family allowances:</i>				
a) <i>Social Security</i>	0.47	44.31	53.68	11.14
1. Health, maternity and disablement insurances, pension fund.....	(0.31)	(26.32)	(39.37)	(5.41)
2. Insurance for accidents at work and occupational diseases	(0.14)	(17.55)	(14.14)	(5.75)
3. Supplementary insurances	(0.02)	(0.44)	(0.17)	—
b) <i>Family allowances</i>	0.03 ⁽¹⁾	37.28	26.30	2.29
c) <i>Other contributions:</i>				
1. Italian housing fund ("Ina casa")	—	—	2.41	—

2. Special unemployment tax (Italy)	—	—	8.56	—	—
III. <i>Gratuities and bonuses on results</i>	0.09	0.97	19.60	3.11	—
IV. <i>Holidays with pay</i>	0.10	17.19	8.51	2.89	—
V. <i>Paid official holidays</i>	0.05	2.25	10.38	1.47	—
VI. <i>Miscellaneous payments</i>	—	—	—	0.43	—
VII. <i>Cost of labour recruitment and training</i>	0.02	9.01	—	0.03	—
VIII. <i>Allowances in kind and housing facilities</i>	0.04	34.49	7.14	0.13	—
IX. <i>Various social contributions</i>	0.06	5.86	6.33	1.06	—
X. <i>Provision for discharge allowances and earnings compensation fund (Italy)</i>	—	—	6.18	—	—
XI. <i>Taxes and dues</i> (2)	—	13.08	—	—	—
Grand total :	2.44	414.87	337.21	65.13	—
In % in relation to wages proper (3)	154.35%	165.68%	179.25%	152.98%	—

(1) Supplementary family allowances.

(2) In Luxembourg the employer pays a tax assessed on the wages paid, of Lfr. 0.58 per hour. This cannot, however, be regarded as a part of labour costs.

(3) See No. 189 above.

TABLE 37
Average net earnings per hour per worker
IRON-ORE MINES
Year 1953

	Germany	France	Italy	Luxem- bourg
	<i>DM</i>	<i>Ffr.</i>	<i>Lit.</i>	<i>Lfr.</i>
I. <i>Wages proper</i>	1.58	250.43	188.12	42.58
II. <i>Gratuities and bonuses on results</i>	0.09	0.97	19.60	3.11
III. <i>Holidays with pay</i>	0.10	17.19	8.51	2.89
IV. <i>Paid official holidays</i> ..	0.05	2.25	10.38	1.47
V. <i>Miscellaneous payments.</i>	—	—	—	0.43
VI. <i>Average gross earnings per hour</i>	1.82	270.84	226.61	50.48
VII. <i>Worker's social security contributions</i>	-0.20	-21.99	-10.30	-4.43
VIII. <i>Average net earnings per hour</i>	1.62	248.85	216.31	46.05
In % in relation to wages proper ⁽¹⁾	102.47%	99.37%	115.00%	108.15%

(¹) See No. 189 above.

- from the social point of view, since it constitutes an important element in the living conditions of the workers, to whom it represents a deferred income and a protection against the hazards of life ;
- from the international point of view, to make sure that no serious discrimination is being allowed to persist, or to grow up, against particular categories of enterprises or workers.

194. The actual financial burden which social security represents for the enterprises is a much disputed point.

TABLE 38

Real rates of social security contributions payable by the employer ⁽¹⁾
(statutory systems)

Year 1953

Country	Health, disable- ment, old-age and unemployment insurance		Family allowances		Together		Accidents at work		Total contributions	
	Iron & steel	Coal- mining	Iron & steel	Coal- mining	Iron & steel	Coal- mining	Iron & steel	Coal- mining	Iron & steel	Coal- mining
Germany	11.94%	17.2%	1.69%	3.3% ⁽²⁾	13.63%	20.5%	(3)	10.3%	13.63%	30.8%
Belgium	6.23% ⁽⁴⁾	8.9%	6.43%	5.9%	12.66%	14.8%	4.76%	8.0%	17.42%	22.8%
France	9.23% ⁽⁵⁾	11.3% ⁽⁵⁾	15.52%	16.3%	24.76%	27.6%	4.15%	6.5%	28.91%	34.1%
Saar	10.47%	17.3%	10.84%	10.4%	21.31%	27.7%	2.83%	6.9%	24.14%	34.6%
Italy	15.60%	14.0%	9.37%	12.8%	24.97%	26.8%	3.03%	7.4%	28.00%	34.2%
Luxembourg	6.93% ⁽⁵⁾	—	4.50%	—	11.43%	—	4.11%	—	15.54%	—
Netherlands	10.26%	16.3%	5.04%	8.1%	15.30%	24.4%	2.80%	9.5%	18.10%	33.9%

⁽¹⁾ High Authority survey on wages.⁽²⁾ In Germany, family allowances are not included under Social Security; they are supplementary family allowances paid directly by the enterprises to the workers. Statutory system in force only since January 1, 1955.⁽³⁾ Included in rate of 11.94%.⁽⁴⁾ Approximate distribution.⁽⁵⁾ Exclusive of contribution for unemployment insurance, payable by the State and local authorities.

The High Authority's survey on wages has provided a basis for working out the magnitude of this burden in relation to gross earnings (wages proper plus pay for days not worked) in the iron and steel and coalmining industries.

The following table shows the real rates of employers' contributions under the statutory social security systems in the iron and steel and coalmining industries.

Statistics on, among other things, the apportionment of these charges and the amount contributed in subsidies by the State will be published later, on the basis of material provided by the governments.

195. Any endeavour to detect discriminatory practices and to work out the level of benefits demand insofar as an assessment of living and working conditions is concerned, as detailed a knowledge as possible of the various systems of social security. At the same time, it is clear from the frequent requests for information received by the High Authority that the social security surveys at present available do not adequately meet the needs of the specialists dealing with these problems in the Community.

The international surveys obtainable, although in general very able pieces of work, were not carried out with particular comparative reference to insurance systems limited to the iron and steel and coalmining industries and to the six Community countries: they cover self-employed and agricultural workers too, whereas from the Community's point of view, the data should be confined to wage-earners, and any special provisions in respect of miners and iron and steel workers should be given as much space as the general systems in force. The extension of the aforementioned surveys inevitably makes them too concise for detailed comparisons.

As for the publications available in the different countries, they are generally too comprehensive, demand a knowledge of the language, and differ in presentation, which makes comparative study difficult. Moreover, none of the existing general works on the subject is fully up to date.

For this reason, the High Authority has undertaken to publish a series of monographs, on a standard pattern for the convenience of the reader. The preparation of these publications

was rendered much easier by the assistance of officials in the various social security ministries and organizations in the six countries, who kindly placed their specialized knowledge at the disposal of those compiling these surveys.

The monographs are available to all interested parties, such as members of the institutions of the Community, representatives of employers' and workers' organizations, etc.

196. Transfers of workers — a matter of great importance for the balance of manpower in the Community — are, of course, bound to be hampered by apprehension on the part of workers at the thought of taking up employment in a country where their families cannot immediately follow them, so that for the most part, they would be deprived of social security benefits and more particularly of family allowances.

These drawbacks are impediments to freedom of movement for workers, and the member governments agreed, under Article 69 of the Treaty, to work out among themselves any arrangements necessary for doing away with them.

The intergovernmental conference which prepared the decision concerning the application of Article 69 declined to deal directly with social security problems (1).

Instead, it requested the International Labour Office and the High Authority jointly to arrange for a special conference which would work out the requisite intergovernmental agreements.

The government experts held a first meeting in Geneva in July, 1954, at which they studied a first draft for a multilateral Convention, prepared by the International Labour Office which came to the conclusion that, in view of certain social security measures, it would be impossible to abolish impediments to freedom of movement in respect of migrant coal and steel workers only. This preliminary draft, after revision by the I.L.O. in accordance with directives from the experts, came up for further examination in April, 1955.

The proposed multilateral convention would make satisfactory arrangements in connection with the position of migrant

(1) See No. 186 above.

workers and their families, by doing away with discriminations between one worker and another according to nationality or to residence outside the country in which they are insured.

If extended, such a convention could become the most important European Social Security Convention, as nationals of all countries belonging to the Council of Europe could benefit under it, since it contains the provision that, subject to certain conditions, all States belonging to the International Labour Organization may join it.

Working Conditions

197. In February, 1954, the High Authority requested the Consultative Committee to study what action should be initiated, or continued, with the aim of improving workers' living conditions, what methods should be adopted to harmonize those conditions, and in which sectors such action taken would produce the quickest results.

The Consultative Committee, on December 20, 1954, submitted to the High Authority a resolution unanimously recommending that it

“prepare and convene, with the minimum of delay, meetings of representatives of the workers' and employers' organizations concerned, and of the governments, whose task it shall be to find, in respect of a limited number of problems, appropriate methods for bringing about progressive harmonization, with due regard for the general situation of the industries in question”.

The resolution goes on :

“The problems should be selected from among those which appear the least difficult to solve quickly, such as

- (a) regulation of working hours ; overtime pay and extra pay for working night-shifts, Sundays and holidays ;
- (b) length of holidays ; holidays with pay.

“In preparation of these meetings, the High Authority should undertake

- (a) a study of the relevant laws and regulations in force in each member country in respect of each of the problems to be dealt with ;
- (b) a study of the methods (collective agreements of official directives) by which the changes required for the harmonization of these laws and regulations could be introduced in each country".

198. The High Authority has not yet reached a decision as to what action it should take on the recommendations of the Consultative Committee. It is continuing the work already started, namely the preparation of

- an itemized and comparative catalogue of the laws, regulations and agreements constituting the framework for the working conditions in the industries of the Community ;
- a comparison of the basic principles of public and private law governing the general rules and regulations concerning labour in each of the Community countries ;
- an analysis of present trends in labour legislation.

This work is now being more actively pursued in respect of the points enumerated in the Consultative Committee's recommendations. In particular, a general study is being prepared on the length of working shifts and times worked in the collieries of the Community.

The survey of this problem, which is one of the utmost importance in regard to productivity and production costs, will deal in particular with the present legal basis and statutory regulation of working hours and with the various economic and social aspects of the question.

This comparative study of conditions in the six member countries will be published in the near future and made available to all interested parties.

Housing

199. The action taken by the High Authority in regard to the housing of workers employed in the industries of the Community is of a dual nature.

1. — For the purpose of *financing investments*, the High Authority decided in principle, in May, 1954, that it would set aside one-quarter of the first loan contracted in the United States, *i.e.* the equivalent of 25 m. dollars, with a view to contributing *by way of loans*, to the carrying-out of programmes for the construction of workers' dwellings in the mining areas ⁽¹⁾.
2. — For the purpose of *economic and technical research*, the High Authority, after consultation with the Consultative Committee and with the agreement of the Council of Ministers, allocated a sum of 1 m. dollars out of the proceeds of the levy, with a view to contributing *by way of non-repayable assistance*, to the carrying-out of an experimental programme of approximately 1,000 housing units, divided among the various coalmining and iron and steel-producing areas of the Community. The object of this programme is to define the bases on which the High Authority would intervene in the housing question as part of its general investment policy. It is also designed to afford a comparison of building costs in the various areas of the Community, in order to encourage the most economical methods, whether of a technical, administrative or financial nature, and lastly, as a secondary aim, to stimulate an increase in the economically justifiable use of steel in the building of houses ⁽²⁾.

Experimental building

200. As it is anxious to adapt its operations to local conditions, and to secure the closest co-operation of those most directly concerned, the High Authority first of all arranged for regional

(1) See No. 159 above.

(2) See *Second General Report*, April 1954, Nos. 151-153.

committees to be set up consisting of representatives of the producers, the workers and the public authorities, and one High Authority observer. The task of these committees was to select the estate development companies and building sites, approve the plans for the houses, and discuss the problems raised in connection with the use of steel. In addition, since the High Authority's financial assistance is limited to a portion only of the building costs (1,000 dollars per housing unit) the committees had to find the remainder of the money required.

These various tasks were quickly completed, thanks to the close co-operation between the committees and the relevant departments of the High Authority.

Each committee submitted a definite project based on a scheme drawn up by a working-party of six architects appointed by the High Authority.

In accordance with the wish of the Common Assembly, the High Authority has taken steps to ensure that in most of the areas concerned the workers are given the chance of becoming the owners of these houses: they will have the choice of either renting or buying the houses. The housing units which are let will be under the management of public or private building societies acting as estate development companies.

201. The starting of work on some sites was held up by weather conditions. However, out of the 1 022 housing units planned, work was in progress (tenders accepted) by March 1955 on 768, and the remaining 254 were about to be started.

The following table shows the final allocation of housing units in the coalfields and iron and steel areas of the Community.

202. As soon as work had started on most of the experimental sites, a meeting of experts on comparative building costs was held at the end of March. The criteria for comparison were systematized on the basis of the information beginning to come in, and the contractors' quotations were compared, with due regard to the quality of the housing units in question.

TABLE 39

Construction of housing units for research purposes

Areas	No. of houses	Estate development company	Location of sites	For workers of enterprises listed below
<i>WORK IN PROGRESS</i>				
Ruhr	50	Rheinisch-Westfälische Wohnstätte AG. Gelsenkirchen	Bochum	Bochumer Bergbau, AG.
Ruhr	50	Westdeutsche Heimbau, Essen	Herringen	Zeche Robert Heinrich, Herringen
Ruhr	50	«Neue Heimat», Gemeinnützige Wohnungs- und Siedlungsgesellschaft, Münster	Gelsenkirchen	Zeche Graf Bismarck
Ruhr	50	Rhein. Wohnstätten AG. Duisburg	Walsum	August Thyssen Hütte AG. Duisburg
Ruhr	50	Rhein. Heimstätte, Düsseldorf	Rheinhausen	Hüttenwerke Rheinhausen AG.
Ruhr	50	Rhein. Westf. Wohnst., Gelsenkirchen	Bochum	Gussstahlwerk Bochumer AG. Duisburg
Ruhr	50	Wohnungsbauges. Ungelsheim, Duisburg	Ungelsheim	Mannesmann Hüttenwerke AG. Duisburg
Aachen	50	Aachener Bergmannsiedlungsgesellschaft	Siersdorf	Zeche Emil Mayrisch
Lorraine	38	Coopératives de Construction, Longwy	Longwy	Sté Lorraine-Escaut
Lorraine	74	Houillères de Lorraine	St-Avoid	Houillères de Lorraine
Lorraine	37	Coopératives de Construction	Neufchef	Sté de Wendel
Nord/Pas-de-Calais	50	Houillères Nord/Pas-de-Calais	Condé	Houillères Nord/Pas-de-Calais

Nord/Pas-de-Calais	26	Coopérative de Construction	Hautmont	Various enterprises
Central France	25	Coopérative de Construction	Imphy	Sté Métallurgique d'Imphy
Campine	50	Soc. Nat. Petite Propriété Terrienne	Houthalen	Various Mining enterprises
Lombardy	50	Ina-Casa	Milan	Various enterprises
Campania	18	Ina-Casa	Naples	Soc. Iiva
<i>WORK IN PREPARATION</i>				
Hainault	50	Local company approved by the Société Nationale d'Habitations à Loyers Bon Marché	Marchienne-au-Pont	Various coalmining and iron and steel enterprises
Liège	50	Local company approved by the Société Nationale d'Habitations à Loyers Bon Marché	Ougrée	Various coalmining and iron and steel enterprises
Luxembourg	50	ARBED and the community concerned	Esch-s. Alz.	Iron and steel and mining industries
Luxembourg	50	ARBED and the community concerned	Schifflingen	Iron and steel and mining industries
Luxembourg	50	ARBED and the community concerned	Dudelange	Iron and steel and mining industries
Dutch Limburg	54	De Volkswoning	Heerlen	State mines and Oranje Nassau mines
Saar	50	Saarbergwerke	Völklingen	Saarbergwerke

These preliminary studies revealed a powerful stimulus to the use of steel. On a number of sites, the amount of steel used averaged two and a half metric tons per housing unit, or twice the normal consumption, without any increase in building costs.

Loans for the building of houses

203. As already mentioned, the High Authority has decided to allocate a total of 25m. dollars, by way of loans, for the financing of the construction of dwellings for the workers of the Community (1).

The preliminary investigations into the housing situation and the methods of financing building work in the Community countries has made it possible to determine the conditions under which the financial assistance of the High Authority would prove most effective (2).

According to circumstances, loans will be granted by the High Authority either to enterprises of the Community or to organizations specializing in the construction and management of workers' houses. In regard to both these cases, however, the High Authority is of the opinion that, as a general rule, the houses should not be owned by the enterprises themselves, in order to obviate the drawbacks which may arise when the employer is also the landlord.

Wherever possible, efforts are to be made to encourage workers to become the owners of their houses. It must be admitted, however, that this cannot always be done, especially where it is a question of doing away with particularly unsuitable forms of housing, since the classes of workers whose housing conditions are the worst are seldom in a position to make the additional financial sacrifice required for ownership.

204. Without waiting until the terms and conditions on which loans are to be granted have been definitely settled, the High Authority has already been considering the arrangements whereby advances may be allocated among the various areas.

(1) See No. 159 above.

(2) See *Report on the Situation of the Community*, November 1954, Nos. 119-121.

In its study of this matter, the High Authority has been guided by two principles, namely:

- the proportion of the number of workers employed in the various mining areas (coal and iron ore) in relation to the total labour force ;
- the housing requirements indicated by the factual surveys carried out by the High Authority. In estimating these requirements, account has been taken not only of the present position, but of the probable development of production over the next few years.

On the basis of these criteria, the High Authority, after obtaining the opinion of the authorized representatives of the governments, employers and workers, made the following provisional allocation (subject to revision when the financing problems have been settled) ⁽¹⁾ :

TABLE 40

Loans for housing

(in dollar units of account)

Industrial areas	Amounts of proposed loans
<i>Coalmines :</i>	
Aachen (Aix-la-Chapelle)	1 000 000
Campine	1 000 000
Centre/Midi	500 000
Hainaut	2 000 000
Liège	1 000 000
Lorraine	2 500 000
Nord/Pas-de-Calais	3 300 000
Ruhr	9 800 000
Saar	1 000 000
Italian collieries	350 000
<i>Iron-ore mines :</i>	
Germany	1 200 000
France	700 000
Italy	150 000
Luxembourg	100 000
<i>Total :</i>	24 600 000

(1) See No. 159 below.

It seems unlikely that applications for loans will be submitted from the Netherlands, owing to the exceptionally favourable state of the Dutch money market.

A reserve fund of 400 000 dollars will, if necessary, be placed at the disposal of certain organizations which are endeavouring to build houses for foreign workers in areas where housing accommodation for these workers is particularly unsatisfactory.

Occupational training

205. Occupational training is a valuable means for ensuring better living and working conditions and higher productivity because it encourages the promotion of the individual worker and helps towards the introduction of technological improvements.

While respecting local variations in occupational training, due to the different conditions prevailing in different areas, the High Authority is going all out to encourage the use of the latest technical methods and visual aids, and to get those responsible to make up the very considerable deficiencies existing in this respect in certain countries.

In October 1953, after it had assembled and published in provisional form the first general collection of material on occupational training in the coalmining industry, the High Authority organized a meeting of experts to study the subject in the collieries in the Ruhr and Dutch Limburg. Since that time, the work of systematically cataloguing and examining fresh material has gone steadily forward, in co-operation with the sub-committee on occupational training (coal). In particular, a detailed monograph on occupational training in the countries of the Community has been drawn up by experts of these countries, an international catalogue of films on coal has been compiled, and the visual aids and instructional methods in use in the Community are being examined and distributed by the visual aids working-party (coal).

Parallel work has been started in respect of the iron and steel industry. After arranging a technical study conference in September 1954 in Germany, France and Luxembourg, the High Authority published a detailed monograph on occupational training in the iron and steel industries of the six countries, which provided the first general picture of the methods employed and the results obtain-

ed. The main objects of the work now going on, with the assistance of the sub-Committee on occupational training (steel), are to promote regional meetings of training officers, inter-country exchanges of instructors, and the cataloguing and examination of visual aids and instructional methods.

It should be emphasized that this work, on which British experts and International Labour Office representatives are co-operating, will produce results only after a period of some years. In a number of countries, however, the work undertaken in this field has already produced tangible results.

Industrial health and medicine

206. Mineworkers and iron and steel operatives are exposed to a great many occupational diseases. It is estimated, for example, that one miner in ten is infected by silicosis, and that three more have it too, though not badly enough to be "obvious".

In all the Community countries, medical research has been going on for many years. It is still, however, inadequate in scope, despite the outstanding qualifications of the research workers engaged in it and the amount of money spent; in particular, it is often badly co-ordinated.

The High Authority's attention has repeatedly been drawn to the need for introducing measures to improve industrial health and safety in the industries of the Community. In particular, the Consultative Committee, in Avril 1954, urged the High Authority to take action "to promote and co-ordinate research into the prevention and treatment of occupational diseases", and "to consider appropriating the necessary funds for this purpose from the yield of the levies". The Common Assembly, in its final resolution closing the Ordinary Session in May 1954, also expressed the view that "in regard to research into occupational diseases, the specialized research institutes should, if need be, have the opportunity of obtaining financial assistance from the Community".

At the beginning of October 1954, the High Authority convened a meeting of representatives of the various research institutes in the Community dealing with problems of industrial health and medicine in the mining industries. It was decided to set up a Mining Medicine Documentation Pool, which would prepare abstracts

of publications on this subject from every part of the world. In addition the institutes agreed to organize a regular exchange of information on their respective research work.

207. The High Authority decided to take matters a step further, and by helping to co-ordinate and develop research without, however, encroaching upon the independence of the research workers.

To this end, it has established a Committee for Research on Industrial Health and Medicine in the Community. This body, consisting of nine highly-qualified experts, will advise the High Authority in all matters connected with the encouragement and co-ordination of scientific research in its particular sphere, and with the dissemination of the results obtained. At its first meetings, held in March, the Committee drew up its general programme of action for the next three or four years, and at the same time laid down priorities. It further decided to study estimates for the financing of research, in order to assemble all the data required for any future action by the High Authority.

208. The High Authority also set up a committee of producers and workers, to meet for the first time in April for a discussion on the Research Committee's first findings.

209. Having thus laid the foundations for its work in combating occupational diseases, the High Authority can now turn more particularly to problems of industrial safety.

Preliminary contacts with the relevant organizations are now being established, and it can be assumed that the High Authority will be starting work in this field in the near future.