

EUROPEAN COAL AND STEEL COMMUNITY

THE HIGH AUTHORITY

Sixth

GENERAL REPORT

on the

Activities of the Community

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Volume I

THE POLICY OF THE HIGH AUTHORITY

APRIL 13, 1958

The President  
and the Members of the High Authority  
to  
The President of the European Parliamentary Assembly

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Mr. President,

In accordance with Article 17 of the Treaty establishing the European Coal and Steel Community, we have the honour to submit to you the Sixth General Report of the High Authority on the activities of the Community and its administrative expenditure. The latter, and 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 13, 1958*

Paul FINET  
*President*

Dirk SPIERENBURG  
*Vice-President*

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THE POLICY OF THE HIGH AUTHORITY

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## INTRODUCTION

1. The Sixth General Report of the High Authority comes at a decisive moment in the development not only of the European Coal and Steel Community but of the full-scale integration of the European economies. It closes the transition period for the introduction of the Common Market for coal and steel just as two new European Communities are setting out to develop in two new directions the work of integration hitherto pursued on a limited front.

The High Authority is happy to submit its Sixth General Report to a new Assembly with a broader membership and broader powers, which has jurisdiction over the three Communities which are henceforth to work for a common objective: the economic integration of Europe, which is in the long term indissociable from its political integration. The High Authority wishes to place on record that it is fully aware of the decisiveness of the stage now opening for the peoples of Europe on the path to unification and prosperity. It is profoundly convinced that Europe's past is the best surety for Europe's future. It regards the establishment of the European Economic Community and Euratom as further proof of the consistence and concentration of the efforts to unify Europe.

The High Authority's confidence in Europe's future is the more solidly based in that the same consistence and concentration were intrinsic to the very conception of the European Coal and Steel Community. The history of that Community has been such as to foster the development of its potentialities. Its whole bent has of necessity been towards the extension of the experiment to include further Communities, while at the same time in the field of coal and steel it has been able to acquire general experience of the greatest value for the future economic integration of Europe.

### **The Trend towards Extension**

2. The underlying object of the European Coal and Steel Community was unquestionably to establish common foundations for economic development, thereby prompting and facilitating a movement towards broader union. But at the same time it was primarily the first concrete experiment, in a limited sector, on the problems and repercussions involved by the introduction of a common market.

3. The Community has jurisdiction over coal, but not over the other sources of energy. Now coal policy definitely requires to be dovetailed into a general energy policy. The problem for long-term coal policy is to combine dependability of supply with the lowest possible costs. Strictly speaking, the problem is not merely to meet coal requirements both smoothly and economically, but to meet overall energy requirements, of which coal covers, and must continue to cover, a preponderant though declining proportion.

The High Authority recognized very clearly that it could not lay down objectives for the coal production capacity to be maintained and developed without first, in consultation with the member States, examining the risks involved by increased European dependence on outside sources of energy. It further recognized that the relation between the expansion in general production and the expansion in coal requirements could not be computed without reference to the incidence of Government action in the different energy sectors regarding such matters as Customs tariffs and taxes, pricing systems and the financing of capital schemes, which is bound to affect the development of each sector in relation to the rest. To work out this incidence was one of the main tasks of the Joint Committee, consisting of representatives of the Governments and of the High Authority, which was set up in accordance with the resolution adopted by the Council of Ministers on October 13, 1953. But the Joint Committee could only elucidate the energy policies implicit in such action: it could not influence, rationalize or co-ordinate them.

In order to frame a policy designed to ensure both an expansion of energy production at minimum cost and energy utili-

zation at maximum efficiency, it was necessary to tackle direct the whole problem of energy as such, a problem of crucial importance for the future of Europe.

It is in this connection that we are able to realize the significance of the European Atomic Energy Community (EURATOM) which sets out to meet this need by the extension of the common foundations for economic development, with the six countries pooling their resources and labours in the field of nuclear energy. Parallel with this extension, the High Authority of the Coal and Steel Community was asked, in accordance with a decision taken by the Governments of the member States upon the conclusion of the Treaties of Rome, to examine and suggest ways and means for arriving at a co-ordinated energy policy. The High Authority is carrying on its studies in collaboration with the Joint Committee, which has been augmented to include representatives of the European Atomic Energy Community and the European Economic Community. Thus long-term forecasting and arrangements for facilitating trade are to be extended to the field of energy as a whole.

4. The Community has jurisdiction over the coalmining and iron and steel industries, but not over the consumer industries, except in so far as its own two industries are one another's consumers. It is, of course, competent to help discover new uses and find new outlets for the products it administers.

But the degree of activity in the coalmining and iron and steel industries depends on the degree of activity in the consumer industries, as well as on imports and exports. Accordingly, the resultant overall fluctuations in activity in the coalmining and iron and steel industries cannot be eliminated, unaided, by the means at the Community's disposal. The powers actually conferred on the Community have, however, been reinforced by co-operation with the member States with a view to regularizing consumption. It was in conformity with the relevant provision in the Treaty that the member States decided, by the resolution of October 13, 1953, to carry out a joint study of the economic situation and if need be co-ordinate their economic policies.

In pursuance of this resolution, regular studies have been made of the state of the markets, in co-operation with the leading experts from each country. The problems of economic policy are to be tackled, on the basis of documents prepared by the High Authority, at a series of meetings to begin in the second half of April, the need for which is likely to be sharply underlined by the course of events. It is, incidentally, to be expected that the European Commission will assume its responsibilities in this field directly it is in a position to take over the duties laid upon the Coal and Steel Community by the Council.

Over and above the overall fluctuations affecting all the member States, there are the fluctuations which vary from one country to another. Where the market is one in which the trade currents can alter rather easily, as in the case of steel, continuing good business in one member State tends to keep the iron and steel industry busy all over the Community. In the case of coal, on the other hand, matters are somewhat different, since the trade currents here alter slowly and with difficulty, so that it is quite possible to have shortages in some areas and accumulations of stocks in others over considerable periods of time, with all the repercussions which this entails on the development of the various branches of the industry within the Common Market.

5. The member States have pooled their coal and steel resources, but retained their sovereign rights in regard to financial, fiscal and wages policy, which affects both conditions of competition between industries and the level and orientation of economic activity.

The operation of a common market, whether partial or total, does not necessarily demand that ownership, taxation, wage systems, budgeting and credit allocations should be organized on exactly the same lines everywhere. Notwithstanding, it is clear that a certain balance must be secured, since otherwise some branches of industry would be artificially favoured or artificially handicapped as regards their markets or expansion projects.



One of the most original features of the Treaty establishing the European Coal and Steel Community was the institutional device and economic arrangements designed to link the limited Common Market with the separate national economies.

However, although the Common Market industries are a good test of the competitive capacity of an economy, experience has shown that the Governments do not regulate their general economic policies by the conditions of competition prevailing in two of their industries, however important these may be. The arrangements prescribed have so far proved only moderately effective. The High Authority has, however, no doubt that as integration proceeds the individual economic policies will of their own accord draw closer and closer together, so that each country will find itself more and more extensively committed.

The coalmining and iron and steel industries cannot be dissociated from the general operation of the economy, although their special character and importance do call for special rules of the type contained in the Treaty. It is for this reason that the European Economic Community is to be regarded as the logical second stage in the process of integration begun by the European Coal and Steel Community, and equally for this reason that it is right and needful for the two Communities to exist side by side.

6. The Treaties of Rome thus stand for the development of the potentialities of the European Coal and Steel Community in two directions at once: the broadening of the common basis for expansion originally furnished by the pooling of two basic industries, and the extension to the whole economy of each Community country of the principles of integration which have been outlined and in some degree tested out in an experiment which was to begin with confined to two sectors, but which was so organized as to take their particular problems into account.

### Experience of General Applicability

7. The experience acquired by the European Coal and Steel Community relates in reality not to two but to six markets with entirely different characteristics: hard coal, brown coal, iron ore, scrap, ordinary steels and special steels.

The diversity of these markets enhances the value of the experience which has already been acquired in the course of the various measures adopted to ensure their smooth operation, with due regard for their individual structure and their relationship to one another.

8. The introduction of a common market is something more than the mere broadening of an existing market by the elimination of the more blatant forms of protection, such as import and export quotas, currency restrictions and Customs tariffs. Transport rate-making methods in respect of internal and international traffic can work out equivalent to Customs duties, except that instead of being fixed *ad valorem* the protection they afford varies according to route and distance.

Again, abolition of protective measures of every kind is only acceptable, and only leads to improved distribution of economic activities and increased productivity, provided the necessary safeguards are furnished against abuses by enterprises or States, against distortions and Government action distorting conditions of competition, and against the risks of unemployment associated with industrial reconversions.

A common market is thus essentially a positive system combining all the prerequisites to ensure that its general operation will make for higher productivity and faster expansion. But under the practical conditions in the world of today this is not achieved simply by doing away with the most obvious impediments to trade.

Its introduction of such a system for the limited sector of coal and steel has enabled the European Coal and Steel Community

to amass a fund of experience which is of general relevance for the economic integration of Europe.

9. Its action in the field of transport is perhaps one of the most striking instances.

In the High Authority's experience, ratemaking problems, so far as they come within the scope of the Treaty, are to be regarded essentially not from the point of view of the transport concerned, but from that of the goods transported, and dealt with according as these goods are or are not covered by economic integration. Hence the need to do away with the discriminations whereby different rates are charged according to the origin and destination of the consignment. Hence, likewise, the need to introduce international through-rates superseding the national ratemaking systems whereby the rates on each railway network taper only in proportion to the distance covered on the soil of the country concerned. The elimination of transport discriminations and of the so-called breaks in rates is just as essential to a common market as the abolition of Customs duties.

The methods employed in the introduction of international through-rates for coal and steel — which at the same time serve to some extent to co-ordinate the tapering ratios for the different countries — are a major contribution towards the solving of a problem which is not specifically concerned with coal and steel, but needs to be disposed of in any process of economic integration.

10. One of the factors going to make up "practical conditions in the world of today" is the fact that production is not, as a rule, the work of small enterprises competing with one another in a market which none of them individually is in a position to influence. The principal industries are made up of large concerns which are in a position to influence the market by their own policies, and to distort it by any discriminations they may care to introduce. It is therefore obvious that rules of competition are needed which will check abuses of monopolistic positions and attempts to divide up and allocate the markets by forming cartels, and will compel enter-

prises to observe the principle of equality and non-discrimination among customers irrespective of nationality.

The High Authority's policy on concentrations is designed to ensure that this is done. Both Article 66 of the Treaty and its own objectives for coal and steel are incitements to the High Authority to permit the creation of production units of the most economic size. But the rationalizing and stabilizing effects of such production units are only of real service to the objectives of the Treaty in so far as, in the ultimate analysis, the consumers derive their share of advantage, thanks to the play of competition.

The fact that enterprises planning further concentrations are obliged to secure High Authority approval enables the High Authority to ensure keener competition among stronger but more fairly-matched enterprises. By thus applying its economic powers, it is able to counteract the political consequences liable to arise from the existence of monopolies or specially-privileged set-ups: it prevents efficiency from being displaced by sheer size.

By reason of the different circumstances in the different industries, and of the continual changes in the economic situation, there are, in regard to agreements and cartels, no hard-and-fast rules which have only to be properly observed to ensure the consolidation and expansion of the Common Market. The High Authority's work in this connection has shown that it is not enough simply to see that the ban on cartels and centralized buying and selling agencies is not infringed: it is necessary to institute a system which will both permit the market to function freely and make proper allowance for the fundamental character of the different industries.

If frontiers are no longer an obstacle but producers are able to sell in another market at a price different from that at which they are selling in their home market, there is likely to be a good deal of irrational trading involving unnecessary transport costs and subsequent price increases to be borne by other customers. If there is to be any object in eliminating frontiers, therefore, it is absolutely essential that price discriminations should be prohibited.

In particular, the price rules of the Common Market for coal and steel make it possible to define exactly what constitutes dumping, namely, the charging of a price lower than that either shown on the supplier's own schedule or arrived at by alignment with the price quoted by another supplier, either in the Common Market or in a third country.

11. Another factor contributing to the "practical conditions in the world of today" is the extent and variety of Government intervention in economic affairs.

The most obvious instance of such action is assistance afforded by Governments to their own enterprises. Absolute prohibition, or during the transition period strict control and progressive elimination, of State subsidies is essential if enterprises are ever to compete on the basis of their economic and technical characteristics. Incidentally, subsidization can be indirect, as where an enterprise or branch of production is exempted from charges legally payable by it.

12. Government intervention has, however, another effect, less obvious but no less important than that of direct subsidization. The proportion of enterprises' production costs represented by public charges (including social security contributions) is indicative of the incidence on trade between Common Market countries of any disparities in national legislation, where the net result of these is that some industries or enterprises are very much more heavily or less heavily burdened than their competitors. The correction of distortions is just as fundamental to the operation of a common market as the prohibition of dual pricing and discriminatory public assistance.

The Community's experience and practical study of these problems in the coal and steel sector have brought forth conclusions of general application in this field also. It was in discussing what was to be done about indirect taxation in trade between countries within a common market that the experts succeeded in defining distortion and working out a formula which can be extended to cover wages

and social charges. For there to be distortion, (a) an industry must be more heavily or less heavily burdened than the average for the economy to which it belongs, and (b) there must be no corresponding overburdening or underburdening in respect of the same industry in the other countries.

13. The aim must be not to eliminate any and every difference – which would be both impracticable and ineffective – but to eliminate the effects of artificial disparities distorting conditions of competition. It is, for instance, unreasonable to expect comparable prices, which are essential to the operation of a market, and equal wages unless the other elements in production costs, and the level of productivity, are already equal. The problem of wages and social charges has thus been much more accurately circumscribed for all future reference.

Isolated distortions can in some cases be offset independently by other distortions producing a contrary effect on other elements in production costs.

The conclusion is that the introduction of a common market is by no means irreconcilable with quite a considerable diversity in social and fiscal legislation, and that ever-eagerness for harmonization could easily result in an artificial elimination of differences for which there are perfectly sound economic reasons, so that attention must be focused on the small number of well-defined problems the examination and solution of which will ensure that some of the most advantageous effects of European integration are not stultified in practice.

14. The European Coal and Steel Community's experience has brought out the importance of readaptation for both workers and enterprises. Admittedly, the introduction and consolidation of the Common Market for coal and steel has not so far entailed readaptation on any scale to speak of. This is in itself an instructive point in regard to the introduction and consolidation of the General Common Market: provided a sufficient rate of expansion is maintained, there will be no large-scale shifts in production, and differing degrees of competitive capacity on the part of the enterprises will be reflected

in the differing degrees to which they share in the general expansion, rather than in reduced activity or radical readjustments.

At the same time, however, E. C. S. C. experience has also brought out the deficiencies in the provisions concerning readaptation, which would have been much more conspicuous in the event of general integration.

First, there is the difficulty of inducing workers to move from one area to another, which means that wherever possible new jobs have to be found or created on the spot. Now the most difficult of all projects to finance by raising money on the capital markets are reconversions of enterprises and absorption of unemployment by the creation of new economic activities. This difficulty was overcome by requesting the Governments to offer special facilities to enterprises re-employing discharged workers, the High Authority to assume sole responsibility for assistance to the workers themselves, of which the Governments would normally have had to provide one-half. Thus the Italian Government is granting rebates on interest in the financing of new activities and reconversions, on condition that the enterprises concerned undertake to recruit one-half of their new personnel from among discharged steelworkers, the whole of whose readaptation expenses are meantime being met by the High Authority.

Even in the limited field of coal and steel, the obligation to show in each case that lay-offs are attributable to the Common Market has been found to be unnecessarily restrictive. *A fortiori* in the case of the General Common Market it was necessary to adopt a different approach, namely, to go not by what the consequences of the introduction of such a market might be, but by what was best calculated to promote its operation and development. And one of the factors best calculated to do that is that workers should be enabled to obtain more productive jobs — more particularly, if they change their occupation, by means of vocational retraining; if they move from one area to another, by means of a settling-in allowance; if they are employed in an enterprise which has to undergo reconversion as a result of the Common Market, by means of an arrangement whereby they are paid a tide-over allowance until such time as

reconversion is completed and the enterprise can employ them full-time once more.

15. The transition period for the introduction of the Common Market for coal and steel came to an end just as that for the General Common Market opened.

The Coal and Steel Treaty allowed special facilities for the weakest sectors of the Community industries, to give them a chance to adjust themselves and make up the leeway lost. At general-integration level, these provisions take the form of measures to assist the less-developed areas of the Community. This collective financing is the most effective substitute for temporary protection.

Apart from the exceptions made in favour of Belgium for coal and of Italy for steel and coke, the Common Market for coal and steel was introduced at a single sweep as regards the abolition of quotas, Customs duties and transport-rate discriminations, the only measures to be staggered being those relating to cartels, breaks in transport rates and certain existing subsidies.

Since the Common Market for coal and steel is now an established fact, the High Authority's main problems in future will be in connection with the long-term development of requirements and production. On the other hand, a long transition period will be necessary before the Common Market for all branches of economic activity is likewise fully established. Accordingly, the concrete lines along which the economic integration of Europe is now proceeding make it essential that a special set-up for coal and steel should continue alongside the gradual integration of all other economic activities for some time to come.

The experience acquired in the Common Market for coal and steel and in the course of the progressive consolidation of the General Common Market will serve as a basis for working out the practical details of the organic co-ordination of the European Communities. These will need to take due account of the special nature of the basic industries, the trend in which will condition the general economic development of the European Community as a whole.



## CHAPTER ONE

### STEEL POLICY

16. In its last Report to the Assembly the High Authority included a chapter dealing with its general coal policy<sup>1</sup>). Just as coal policy cannot cover all the aspects of the operation of the market or the expansion of the industry, so steel policy has to be confined to a number of essential factors governing the expansion of the steel industry and determining its structure and the operation of its market.

Steel policy so defined is something quite distinct from the General Objectives, which relate to modernization, planning of production and expansion of production capacity, and in this connection serve both as guidance for the activities of the enterprises and Governments, and as the framework within which the High Authority formulates any opinions it may feel obliged to issue on individual capital schemes. Steel policy does not embody either targets for production capacity or technical recommendations: it seeks to lay down the conditions in which capacity can best be expanded and plant modernized. This, then, is what the High Authority is required to do, and to do clearly and effectively.

The main problems arising are quite different from the problems of the coalmining industry. The coalmining industry is closely bound up with the location of its resources and the geological conditions prevailing. The iron and steel industry, on the other hand, depends essentially on a steady flow of raw materials. It comprises quite a number of production stages, and enjoys the same freedom as any other industry in regard to the size and organization of its production units. Capital expenditure is particularly heavy, while

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<sup>1</sup>) See *Fifth General Report of the High Authority*, April 1957, Chapter XIII.

demand fluctuates widely, especially in third country markets: accordingly, since the iron and steel industry of the Community produces more than half the steel exports of the world, the price problem vitally affects the financing of expansion and the stability of the industry. At the same time, although labour costs are not nearly such an all-important item in its production costs as they are in those of the coalmining industry, recruitment and classification problems are changing with the developments in technical methods.

### Section 1 - Supply and conditions for expansion

17. All long-term forecasts indicate that the Community iron and steel industry may be expected to undergo a tremendous expansion, amounting to an approximate doubling of its production capacity over twenty years. This trend is, however, liable to be interfered with at any time by the increasing difficulties regarding supplies of raw materials, more particularly scrap and, in the long run, iron ore. Hence the need for a coherent policy covering at the same time scrap, coke and ore.

18. *Scrap policy.* - As soon as it came into being, the High Authority recognized the difficult problems involved in keeping the iron and steel industry supplied with scrap. When the Common Market was first introduced, scrap prices differed very widely indeed from one country to another, and the Italian iron and steel industry in particular relied to a very much greater extent than the others on imports.

The object of the compensation scheme for imported scrap which was thereupon set up was to prevent a sudden run on Common Market scrap, which would have sent prices soaring and thrown production costs in the industries concerned into complete confusion. This arrangement, however, though appropriate to the conditions then prevailing in the early days of the Community, did nothing to remedy the fundamental problem of long-term supply.

In dealing with scrap, we have to bear in mind not only that the scrap market is very unstable and highly speculative, but that as scrap is derived in part from steel produced for home consumption some years previously, the faster actual steel production rises and the more steel is sold direct for export the farther the increase in scrap availabilities lags behind the increase in steel production. There is, therefore, always the danger — even though in the short-term scrap recovery in the Community is marked by a certain elasticity — that iron and steel production may stand in its own light by using up too much scrap.

This does not mean that one production process should be used in preference to another. There are in any event only two sources — of iron ore processed into pig-iron, and scrap. Open-hearth steel can be made using a large proportion of pig-iron. Besides, with modern technical methods steels now need to be classified not so much by production process as by their physical properties and compliance with consumers' technical specifications.

19. The statement of its steel policy is the place of all others in which the High Authority can and should give an account of what it has done in regard to the steel market, and in particular to the compensation schemes for imported scrap which were started shortly after the introduction of the Common Market.

The best way of keeping scrap consumption reasonably proportionate to scrap resources would appear to be to leave prices absolutely free, both for imports and for home arisings. This is the system adopted in the United States; the British scrap market, on the other hand, is strictly controlled.

American experience shows how enormously scrap prices can fluctuate — by as much as 100% — in response to variations in demand. Straight price freedom in the Community would result in even wider fluctuations: since part of the scrap supply during boom periods has to be imported from the United States, the tonnages concerned would be affected at least by changes in American home prices, plus changes in freight-rates (which fluctuate by as much as

300%), and the price thus arrived at would draw the price of scrap as a whole up to its own level.

This situation in the Community would be conspicuously more difficult than in the United States. American enterprises are homogeneous as regards type of production: they all use processes based on scrap. The Community, on the other hand, having considerable resources of phosphorous ore, produces a good deal of its steel by the basic Bessemer process, side by side with the open-hearth and electric-furnace methods: the incidence of scrap prices on the different processes works out very differently.

Some way had therefore to be found to limit fluctuation. This is the object of the compensation scheme for imported scrap, which reduces the prices of procurements from third countries to the level of home arisings by means of a levy on all bought scrap.

This does not, however, amount to instituting an artificially low price for scrap. Such an action would result in constant pressure for the stepping-up of the proportion of scrap in the overall supply, which, scrap resources being what they are, would be definitely out of the question. It would even result in distortions as between the different steel-consuming industries: they return as scrap very widely-varying percentages of their steel consumption (something like 1% in the case of the building trade and 20% in that of the motor industry), and the price they can obtain for their scrap is a not inconsiderable element in their production conditions.

20. The first compensation scheme set up was satisfactory enough so far as limiting price increases was concerned. But in face of the shortage of pig-iron, and of the coke needed to produce it, the scheme appeared to encourage the use of scrap in steelmaking, and thereby to have an influence on the orientation of investments. Production plant using mainly scrap involves lower investment costs, while the prices of the actual products are higher, and moreover, in this case the production costs were reduced by the operation of the compensation scheme.

It was thus found to be essential to correct this misorientation. Efforts were made to do so by adopting a policy aimed at directly influencing investment, and by incorporating in the compensation scheme an arrangement which took away much of the advantage of any increase in the overall consumption of bought scrap not conducive to the interests of the Community.

21. The High Authority has continued to pursue a policy aimed, on the basis of Article 54 of the Treaty, both at encouraging the production of pig-iron and at discouraging the installation of new plants producing steel from scrap, and likely for that reason to accentuate the imbalance in the Community's raw-material situation. This it has done by granting direct loans for the construction of blast-furnaces and of steelworks using pig-iron, by issuing a general opinion drawing attention to the undesirability of any increase in steel production capacity not offset by an equal increase in pig-iron production, and regular opinions on individual investment programmes declared to it by enterprises, and by widely publicizing forecasts on the unsatisfactory development of the pig-iron/scrap ratio<sup>1)</sup>.

22. Decision No. 2/57 amended the compensation scheme for imported scrap<sup>2)</sup>. Its basic aim is to discourage any increase in the use of bought scrap in enterprises whose input ratio is higher than the Community average for the same production process. To induce all the enterprises to save, it further leaves a loophole for existing plant by limiting surcharges for overconsumption, even if the input ratios do not technically compare favourably with the Community averages, provided they are at any rate down on the reference figure for the enterprise concerned.

Decision No. 2/57 thus leaves it to the enterprises to adapt themselves to these requirements either by increasing their pig-iron input ratio in certain production processes, or by adopting balanced

<sup>1)</sup> See Volume Two, Chapter VI, No. 320 of this Report.

<sup>2)</sup> Decision No. 2/57, of January 26, 1957; *Journal Officiel de la Communauté*, January 28, 1957.

expansion projects comprising certain types of manufacture which will yield scrap for the scrap-based production processes. There is therefore no direct intervention in the management of the enterprises, only overall arrangements ensuring that their activities are in line with the general interests of the Community.

Surcharges on the basic compensation rate, and reductions in such surcharges in acknowledgement of input ratios kept comparatively low or successfully lowered, are calculated in per cent. of the basic rate itself. Accordingly, the tighter the supply situation the greater the surcharges and the incentives to save, since they are affected both by the quantities and by the price of imported supplies. Even under this stricter system, no enterprise is really handicapped, as even those not entitled, either by the level of their input ratio or by success in reducing it, to any remission on the basic rate can still, during boom periods, obtain their scrap at a lower price than they would pay for marginal imported supplies, *i. e.* they still pay less than what it costs the Community to keep them supplied, which they could have been required to make good in full.

In proportion as the situation eases, the system will ease of itself until the levies and surcharges are reduced to zero. This point can even be determined by fixing the compensation price and arranging for the system to become inoperative as soon as the differences between import and home prices fall below a reasonable figure.

23. These, then, are the implications of the measures adopted, which are sufficiently flexible to be adjusted to variations in the economic situation and to the differences in enterprises' operating conditions.

It should, notwithstanding, be noted that such financial arrangements, however strict, however well adapted, can never be anything more than expedients, with the serious disadvantage of perpetuating the very situation they temporarily serve to redress (short of fundamental changes in the scrap supply situation as a result of a relative increase in the production of metal goods with a shorter

life). The only possible way to dispose effectively of the exceedingly difficult problem of ensuring a balanced supply of scrap for the Community is by co-ordinated action in regard at once to the cost and orientation of investment, in certain cases to the price of electric current, and above all to the vital necessity of expanding resources in coke and ore.

24. *Coke Policy.* — To keep scrap consumption within the bounds of the available resources, and to make the Community less vulnerable to export restrictions and home requirements on the part of third supplier countries, it is absolutely essential to have a better pig-iron/steel ratio, with the improvement which this would bring as regards more dependable supplies of ore and coke.

The Memorandum on the General Objectives already stressed the need to reduce the coke input ratio by devoting special attention to the preparation of the ore (sintering or beneficiation). It stated that the increasing proportion of richer ores in the overall supplies of the Community would of itself contribute to such a reduction. It further emphasized the interest taken by the High Authority in processes by which ore can be turned into pig-iron with less coke or no coke at all. For this reason the High Authority will make a special point of promoting research on improvements to the processes of burden preparation and direct reduction<sup>1)</sup>.

The essential point to be borne in mind is that, even though some of the coal can be economically imported, the actual coking must take place in the Community itself. The object of steel policy in this connection must be to see that conditions are such as to enable coking capacity to be expanded.

The profitable operation of coking-plants depends on the relation between the price of coke and the price of coal on the spot, and on the valorization of gas and by-products, which in its turn to some extent governs the price of coke.

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<sup>1)</sup> See Volume Two, Chapter VII, Nos. 343 and 344 of this Report.

In this respect the requirements of steel policy link up with those of coal policy. Coking is coal's surest and most vigorously expanding outlet. It is important for the Community that the relations of the prices of coke and of the various types of coal on the one hand, and of transport charges on the other, should permit the rational utilization for coking purposes of a wider range of coals. It would be a somewhat topsy-turvy situation if in some years' time certain grades mined profitably in the Community became a drug on the market while high prices were being paid for larger and larger imports of grades suitable for carbonization by the traditional methods. It is on these grounds that the High Authority is encouraging technical research with a view to extending the range of coals suitable for coking<sup>1</sup>).

Experience has further shown the value of the arrangement frequently met with whereby iron and steel works have coking-plants attached, thus helping to ensure a satisfactory thermal balance-sheet and reduce their production costs. Prices and transport-rates must not be such as to place artificial impediments in the way of this development. Accordingly, the High Authority is devoting much attention to the problem of the hard-coal/coke ratio, and is moreover making the relation of hard-coal and coke transport charges one of the main points in the harmonization it is working for with the Governments<sup>2</sup>).

25. *Ore policy.* – Although from the short and medium-term point of view iron ore supplies look like continuing to flow in normally, in the longer term they will have to come more and more from new sources and by way of new channels which it is most important should be properly developed in good time.

The outlook in regard to supplies of scrap makes it necessary to rely on ore for practically all the additional ferrous matter that will be required in view of the expansion in steel production. Consequently, every possible effort will have to be made to expand ore

<sup>1</sup>) See Volume Two, Chapter VII, No. 338 of this Report.

<sup>2</sup>) See Chapter V following.



production in all the economically workable reserves of the Community.

However, this situation also calls for more intensive efforts to ensure a dependable long-term flow of supplies at normal prices.

Long-term contracts are undoubtedly an effective means to this end. But success could be achieved only if the iron and steel enterprises for their part established additional supply bases on the new reserves in third countries.

The initial cost of plant and equipment is in most cases extremely high, and thus beyond the means of any one company. Link-ups between enterprises are a good way out of this difficulty, and the High Authority intends to encourage them as far as possible.

The initial cost includes not only plant and equipment for new mines, but also the prospecting and surveying of new deposits, and measures to deal with the technical and economic problems arising in connection with certain ores, more particularly as regards mechanical preparation and beneficiation. Here too the High Authority would be very much in favour of action on a co-operative basis, and would be prepared, if required, to assist such schemes.

The High Authority is also devoting much attention to the question of seaborne transport and of harbour facilities for the handling of large additional tonnages.

## **Section 2 - The structure of the Industry**

26. The structure of the Community iron and steel industry has to be considered from two angles, the need to ensure a sufficient number of production units capable of competing with one another effectively, and the need to have these of optimum size. Technical studies on this latter aspect indicate that once production goes beyond a certain volume (which increases as technical progress continues), unit costs cease to fall.

This is an essential point to be borne in mind in matters of concentration and specialization.

27. *Concentration and conditions of competition.* – For some time past there has been a tendency among iron and steel enterprises in all the member countries to regroup in order to form larger and better-balanced units. At its present extent – it has maintained, and indeed increased, its momentum since the introduction of the Common Market – this development can be regarded as progress. Quite a number of enterprises are producing between one and a half and two and a half million tons of steel a year – some even more – and form integrated groups covering every stage of production, from coke and pig-iron right through to the finished products<sup>1)</sup>.

During the same period there has been a marked trend towards vertical integration between steel and coal. A similar development was observable some time previously between steel and iron ore.

Finally, iron and steel enterprises frequently form part of complex financial link-ups with groups of banks, commercial firms or other industries.

This situation is very definitely not in line with the theoretical set-up of enterprises competing in respect of each type of product solely on the basis of their production costs and operating conditions for the product concerned. But iron and steel production, to be economic, must be on a certain scale; moreover, steelmaking proper comprises a number of stages which, if the lowest possible production costs are to be obtained, have to be carefully streamlined to ensure smooth transition from one to the next. It is therefore in itself relatively concentrated and relatively integrated, and any attempt to fix the exact point at which vertical integration can be said to begin and end is bound to be somewhat arbitrary. We need only take the example of a coking-plant or a tube works to see that this is so. Moreover, even if exact limits could be laid down with

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<sup>1)</sup> See Volume Two, Chapter II, No. 103 of this Report.

reference to a particular stage in technical advance, they could well be invalidated shortly afterwards by the introduction of new processes.

A different approach is thus required. Integration must be motivated by the economic and technical advantages it offers, not by any distortions operating in its favour.

It is for this reason that the High Authority is looking into the disparate incidences of the national taxation systems on the enterprises. Thus indirect taxes, which in most of the member countries are of the cumulative type, are levied at every stage of production and processing where transactions between separate enterprises are involved. Whatever the policy reasons given, this system makes for distortions to the disadvantage of non-integrated enterprises, which can never be fully corrected by the operation of the profits tax.

The increasing tendency to resort to tie-ups of ownership in order to ensure cheaper or more regular supplies means that special attention will have to be paid to the supply conditions of non-integrated enterprises, in order that the disadvantage shall not be so great as to constitute an artificial incentive to integration. Nor must it be forgotten that at times when business is poor ownership and exclusive reliance by enterprises on their own production can be a heavy burden as a result of operating losses or of the obligation to forgo cheaper imported supplies.

Vertical integration further involves a price problem: the prices of integrated raw materials (coal, iron ore, pig-iron, semi-finished products) must include an adequate margin of profit as an incentive to the integrated enterprises to step up their coal or ore production so as to be able to sell to other consumers over and above their own requirements; at the same time this must not go so far as to constitute exploitation of such competitor consumers.

As regards horizontal concentration, it cannot be allowed in the Community to reach the point of market leadership or price leadership by individual enterprises. This would lead to serious

difficulties. The concentrations approved by the High Authority under the Treaty are those enabling a larger number of groups to compete on equal terms.

28. *Specialization.* – Horizontal concentrations are one of the ways of achieving specialization which enables production costs to be lowered by increased mass production. It is important that there should be alternative ways of securing this result, and the High Authority, which regards these as desirable, has encouraged the specialization agreements submitted for its approval<sup>1)</sup>. It is, however, fully aware of the difficulties and limitations involved. The markets for the different products are not expanding at the same rate or stable in the same degree, so that it is not easy to tell how the risks would fall in consequence of a sharing-out of different types of manufacture. It is worth recalling that the specializations introduced in the British iron and steel industry following the 1933 reforms were based on financial link-ups, taking the form either of interlocking participation or of a pooling of profits: for specialization to reach the point regarded as desirable, it may perhaps be necessary for the Community to base itself on this precedent.

One special problem for non-integrated enterprises at the finished-product stage is that of the rerolling firms. During boom periods they find it understandably difficult to secure a steady flow of supplies, since their suppliers are also their competitors and tend inevitably, at times when output is barely sufficient to cover demand, to hold back their semi-finished products for processing in their own works. Moreover, for quite a number of products the rerollers are likely to find themselves less well placed as regards production costs than the integrated works. Rolling conditions, which used to be the same everywhere, today differ very considerably as a result of the better-balanced thermal-energy position of the integrated works and the startling progress made on rolling plant, which only very large enterprises can afford.

This problem can be tackled in various ways, severally or simultaneously.

<sup>1)</sup> See Volume Two, Chapter II, No. 94 of this Report.

Firstly, non-integrated processing enterprises can join together in securing pig-iron, steel or semis on a co-operative basis for their own needs.

Where it is found difficult to raise the capital required for new plant, this form of co-operation may confine itself to expanding existing capacity in enterprises already in operation: participation in these would then be within their means. Another possible aspect of this approach which the High Authority would view with favour would be an arrangement for the processing firms to finance, in full or in part, the installation of additional steelmaking or processing plant in integrated works. Such schemes would have to include reciprocal long-term undertakings allowing of a certain flexibility in regard to tonnages and prices according to the market situation.

Moreover, long-term delivery contracts are a good solution to the rerolling enterprises' supply problems. The value of such contracts to the producers depends on the rerollers' success in valorizing the steel, *i. e.*, in the ultimate analysis, on the prices at which such contracts can be concluded. So far from operating to their disadvantage, this should enable all concerned to furnish proof of the degree of specialization and progressiveness of their enterprises.

From this point of view it would appear that the best valorization could be achieved by the production of small series to individual specifications. This would entail an accurate delimitation of operations as between the rerolling firms and the integrated processing enterprises, which by eliminating the most awkward of the competitive problems involved would definitely dispose of the industry's perennial difficulties.

### Section 3 - Prices, Investment and Markets

29. *Price relations as between one stage and another.* — The present position of the rerolling enterprises serves to highlight certain price problems affecting the general balance of supply and demand in the Community.

Pig-iron as such, of course, very rarely changes hands, being for the most part consumed in the enterprises producing it. Moreover, in comparing Community with British and American prices it is necessary to bear in mind the differences in the cost of the basic supplies of coke and ore. Nevertheless, all the details available as to the tonnages and prices of the raw materials and the proportion they represent in total production costs suggest that there may be a reducible margin between production costs and selling prices. A high selling price for pig-iron is a handicap to non-integrated works and an incentive to use more scrap, thus aggravating the Community's overall supply problem.

The tonnages which can be imported during boom periods are in any case limited, and could not possibly affect the need to achieve the pig-iron production capacity laid down in the General Objectives.

The problem of the rerolling enterprises is further complicated by the *relation between the prices of semis and finished products* from intergrated works.

Again, it is clear that something will need to be done in the Community to bring about a *progressive lowering in the prices of flat products* so that the consumer industries may derive some advantage from the tremendous technical advances achieved in this field.

30. *Price-level and investment.* – The scale of prices at which the works supply the products of the different production stages is a problem unconnected with the general problem of the average price-level and the cost of investment.

In the course of the studies undertaken for the purpose of defining the General Objectives, the High Authority came to the conclusion that meeting the costs of a rapidly-increasing steel production was going to involve a considerable change in the financing situation: fuller utilization of capacity (though this is more elastic than is generally realized) and expansion by modernization would no

longer have such a part to play, and it would accordingly be necessary to establish entirely new production units. This would increase somewhat the financial charge per ton of steel produced. The High Authority feels it would be a short-sighted policy to tie steel prices in such a way that the financial prerequisites for the necessary development could no longer be assured.

First and foremost among these prerequisites is, of course, that the installation costs, which enter into production costs, should be effectively redeemed. Beyond this, there is naturally no suggestion that the entire cost of the schemes should be borne by the industry itself and recouped by means of higher prices.

At the same time, in view of the exceptionally heavy capital expenditure required in the iron and steel industry it must be regarded as normal practice for enterprises to have recourse simultaneously to outside sources (increases of capital, bond issues, bank credits) and to self-financing. A point which the High Authority feels obliged to make is that in an industry consisting of a large number of different enterprises with different production costs the very uniformity of selling prices imposed by the operation of the market (though not at present complete in the Community) automatically means that certain enterprises with lower production costs make profits — sometimes very considerable profits — which can be earmarked direct for investment purposes.

At the very least, enterprises whose production is definitely required if demand is to be met should be enabled, over a full economic cycle, to write off their plant in the normal way, cover loan service charges and receive interest on their own capital. In the iron and steel industries, the rate of interest on capital may be determined by reference to the rates found in the other major industries, but with due allowance at the same time for the fact that industries of a permanent character normally offer a more moderate return than industries which have sprung up in response to a temporary juncture in demand or technical development, and are sooner or later superseded by others.

The general trend in steel prices will depend on whether, and to what extent, it is possible to offset increasing financial burdens – which are likely to be accompanied by higher costs for certain essential raw materials – by major increases in productivity.

31. *Flexibility of prices and diversity of markets.* – Stable steel prices are important if the implementation of long-term development schemes by the consumer industries is to be facilitated. However, as there can be no question of instituting a rigid organizational system, providing for strict control of imports or exports, according to the economic situation, and for open or tacit arrangements to allocate supplies, it is not possible to envisage absolute price stability in face of fluctuations in demand, which are always greater in the steel sector than in the economy as a whole. A certain degree of flexibility in steel prices is therefore unavoidable. The object must be by recourse to the various means provided for in the Treaty to keep that flexibility within certain bounds, as a result of which it will help to maintain the market in balance instead of continually throwing it out of gear by excessive price fluctuations.

On the other hand, all direct or indirect action to influence prices, whether by the Governments or by the producers themselves, is of course incompatible with both the letter and the spirit of the Treaty. The High Authority would emphasize in this connection that indirect Government action – either by bringing pressure to bear on the industry or by pegging the prices of the trade or the consumer industries – is likely to impede long-term supplies, and moreover, as it is bound to vary from one country to another, fundamentally distort the conditions for the development of the different branches of the industry within the Common Market. This must not, of course, be taken as implying failure to recognize the Governments' very immediate concern with the development of the prices of two such essential products as coal and steel. The aim of the Treaty is to ensure, through the Council of Ministers, that the policy of the High Authority and the policies of the member States are kept in line both with one another and with the objectives of the Community.

32. One special difficulty is that prices fluctuate much more markedly in third-country markets than within the Community. In



view of the varying volume of demand, this disparity is unavoidable. The very increase in market interpenetration in the Community means a greater risk that in the event of a slump the output of enterprises normally concentrating on exports would be thrown on to the Common Market itself. It would therefore be to the interest of Community producers generally if the difference between home and export prices were kept to a minimum at all times.

Any steep drop in export prices would cause difficulties for the Community consumer industries, which are exposed to competition from other industries with cheaper sources of supply; on oversharp upswing of export prices is likely to jeopardize home supplies.

Some action to prevent export prices from falling below a certain level would appear to be desirable, the more so as a structural development towards stabilization must be expected, *i.e.* a decline in that proportion of overall steel production which goes direct for export, in consequence of the emergence of iron and steel industries in the "new" countries, at present the European industry's biggest export customers. Furthermore, fuller employment, better utilization of the technical skills of the labour force and supervisory personnel, and last but not least the balance-of-payments situation in Europe, all serve to encourage the exportation of more highly-finished products rather than of those of the early production stages.

The High Authority's obligation under Article 3, f) of the Treaty to "ensure that equitable limits are observed in prices charged in foreign markets" is very much to the Community's interest. Moderation in this respect is not only essential to the maintenance of a steady flow of supplies to the Community consumer industries, but is dictated by the Community's increasing dependence on third countries for iron ore and coal, and by the difficulty of keeping open its markets in the countries now in process of industrialization.



## CHAPTER TWO

### ENERGY POLICY

33. Two points emphasize that, in the ultimate analysis, the coal policy of the High Authority must form an integral part of energy policy in general. For coal and oil are each in a position to accentuate any instability of the other's market, and a steadily increasing percentage of coal is converted into secondary energy, *i.e.* gas and electricity. This latter factor means that the proportion of energy requirements which can be met equally well from more than one source of primary energy is increasing: gas can be obtained from the ground, from coal or from oil, and electricity from water power, coal, natural gas, fuel oil or, in the near future, atomic energy. The only two uses of energy for which there is still no competition to speak of are coke for pig-iron production and fuels for motor transport.

34. The reasons in favour of a co-ordinated energy policy for the six countries are clearly set forth in a Protocol between the High Authority and the Council defining the methods and procedure to be employed in framing such a policy<sup>1)</sup>. Europe has an energy gap, and until the advent of nuclear power with all its new possibilities it appeared that that gap was fated to prove more and more costly to close. It is absolutely vital this should not be rendered more costly still by inefficient use of fuel, or by projects which cannot be sited or utilized to the fullest advantage owing to compartmentation by frontiers. The Six have already pooled their coal resources, but long-

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<sup>1)</sup> See *Journal Officiel de la Communauté*, December 7, 1957.

term coal requirements can only be calculated from overall energy requirements. They have accordingly agreed to tackle jointly the technical revolution entailed by nuclear energy. And conditions of competition in the General Common Market too would have been very adversely affected by divergences in energy policy.

The High Authority has been made responsible for carrying out the necessary studies and suggesting possible policies, acting in consultation with the Governments represented on the Council of Ministers, and basing itself on discussions with experts and on the work done in the Joint Committee with experts from the Governments and from the Economic and Euratom Commissions. Outlining future action in this field involves working out the bases of study, the possible alternatives, the principles facilitating the right choice, and the means by which the policy finally adopted is to be effectively implemented.

35. *Bases.* – Energy policy is of necessity founded on an estimate of both short-term and long-term availabilities and requirements.

Accordingly, the regulation “programmes with forecasts on production, consumption, imports and exports” are in future to relate not only to coal but to energy as a whole.

For the longer-term forecasts needed to help orient investment, it will be necessary to use more searching methods than those employed until recently. Hitherto, in the succession of surveys published from time to time by various international bodies, assessments of energy requirements have been based on a relation between gross energy requirements and the trend in general or in industrial production. This relation comprises several elements, in proportions which can hardly be accurately separated, *viz.* an approximate parallel between the consumption of energy and the volume of industrial production, an augmenting factor representing the increase in mechanization, and a very considerable reducing factor representing on the one hand the improvement in utilization and efficiency, and on the other the increasing share in the national product of services, which consume much less energy per unit of value produced than does industry. No real progress can be made in estimating unless these

different elements are assessed separately. First and foremost, it is necessary to obtain the true correlation between overall production and energy consumption, the latter being simply the effective energy in its different uses. Now effective energy is only one part of the energy delivered to the consumer, defined by a coefficient of efficiency; the energy delivered equals the energy produced minus transmission losses; the energy produced in secondary form represents a larger or smaller portion, defined by a coefficient of conversion, of the primary energy available. The four-stage energy balance-sheet, covering "primary energy," "secondary energy," "delivered energy" and "effective energy," which the Community has just drawn up for the six countries for the first time, and which must now be improved upon and worked out in greater detail, is the essential basis for all further serious forecasting in this field. It has revealed that in the final analysis effective energy represents less than one-half of the primary energy available to the six countries.

Energy is a whole, but a differentiated whole, and it is most important to know not only the physical possibilities for substitution and the physical conditions for conversion between one form of energy and another, but the economic factors which govern such substitution, the price relations which affect it, and the rate at which it takes place under the influence of economic and technical factors in the main consumer sectors. It will be necessary in the near future, in co-operation with Euratom, to examine more closely the hypotheses and data which may serve as a basis for estimating the future costs of nuclear energy according to the different processes employed to produce it.

36. *Possible alternatives.* — On the basis just outlined, an energy policy raises in concentrated form much the same problems as any overall economic policy. The different forms of energy, and the fuels from which they are derived, are far from offering equally regular or equally reliable sources of supply: it is necessary to weigh up with the utmost care the optimum combination of advantage as regards dependability and advantage as regards price. Two very dissimilar illustrations of this problem are provided by a comparison between imports and home resources in respect of coal and of oil

products, and a comparison between the characteristics of hydro-electric power and of thermal electricity.

The importation of energy from certain parts of the world involves a political risk. To import energy at all involves banking to some extent on the possibility of stepping up overall exports, and endeavouring to forecast the trend in other imports: it depends on the relation between these two elements whether the cost of the energy imported can in fact be met. In addition, the trend in general exports and imports determines the future relations of currencies to one another, and consequently the relations of import to home prices.

This, then, is the central problem for the energy policy itself; on the manner in which this problem is dealt with depends the degree to which it is regarded as both imperative and economic to rely on the Community's own production, and hence to provide the prerequisites for its maintenance and development.

To give yet another example, although the different methods of producing energy all require heavy capital expenditure, the proportion represented in each by installation and operating costs is extremely disparate. There is thus a close interrelation between energy policy and actual financial policy.

37. *Guiding principles.* – These possibilities can be narrowed down by endeavouring to gauge the amount of risk entailed: the cost of certain interruptions in supply can be estimated and allotted a coefficient of probability or frequency. In regard to some of them, however, decisions definitely have to be taken which cannot be fully lined up, yet which, in countries committed to an irreversible Community, it is essential should be taken jointly and with the same end in view. Certain principles need to be laid down to help as far as possible to limit the scope of such decisions, to elucidate them once taken, and to facilitate agreement.

One of these would appear to be that the relative development of the different forms of energy should be governed by actual consumer demand and free choice by the consumer.

Another must be that everything possible should be done to ensure optimum utilization, and to avoid as far as possible the use of those forms of energy which have the lowest efficiency ratings.

Another important point would be to ensure that the different forms of energy complement one another as much as possible, by covering the basic, or alternatively the peak, consumption of each in line with the special characteristics of the various types of production, investment costs and/or margins of flexibility. This underlines the fact that the atomic power-stations of the future will have to operate the maximum number of hours per annum in order to pay off the exceptionally heavy capital expenditure they involve. Community coal is, of course, much less suitable than other forms of energy for covering boom requirements, by reason of the inelastic nature of coal production and the comparative stability of the currents of trade.

Finally, the aim in any energy policy must be to ensure continuity, and to prevent sudden ups and downs liable to cause radical changes in competitive relations between one source of energy and another, or to waste investment owing to abrupt changes in the scale or object of investment projects.

38. *Means.* — The preliminary studies which have been carried out on price systems and price structures and on the taxation of the different forms of energy in the six Community countries have brought to light the extraordinary disparity in the arrangements regarding the different forms of energy within each country, the frequent variations in those arrangements, and the differences in orientation between one country and another. The mere comparison affords a number of instructive conclusions in itself. But it is clear that the objectives of an energy policy call for concerted action to eliminate excessive differences in arrangements as between one country and another or one product and another.

To ensure that free choice by consumers shall result in optimum utilization of resources, it is necessary to avoid price distortions. That is to say, all differentiations must be along the same lines,

if they are not to operate to the artificial advantage or disadvantage of particular uses of energy in particular countries. The necessary harmonizations within an individual energy sector are only fully consistent with harmony among the different energy sectors provided general principles are gradually worked out for a price policy which will ensure that the user shall pay the true cost of whatever products or services he uses.

Where we are dealing with competing forms of energy it is important to see that the price relations between them are not arbitrarily altered by the incidence of taxation. And any differentiation in the system of taxes and subsidies would detract from the optimum utilization of highly valuable resources, unless justified in range and application as a kind of insurance premium.

The object of the detailed studies now being carried on by the High Authority in co-operation with various groups of experts and with the Joint Committee is essentially a practical one - to pinpoint the facts and figures which will serve as the basis for the exact lines to be laid down for energy policy. The High Authority is thus preparing to submit to the Council in the autumn proposals embodying in concrete form the general principles set forth in this Chapter.



## CHAPTER THREE

### SOCIAL POLICY

#### Section 1 - Social Aspects of Steel Policy

39. *Number employed.* - Expansion in pig-iron and steel production as outlined in the General Objectives of the Community should not involve serious manpower problems. Either the increase will be achieved by the extension and modernization of existing capacity, in which case the necessary investment will be so planned as to raise the level of productivity as high as possible, so that the intake of additional workers will be on a comparatively small scale; or entirely new production units will have to be established, in which case one of the criteria in deciding their location will be the availabilities of manpower in the area concerned, while the High Authority will endeavour to provide any assistance required for the building of accommodation for workers, as individual circumstances may dictate.

40. Because of the boom conditions prevailing, new plant has not always been installed in place of old in recent years. It may therefore be expected that this will be done in the near future, when new and modernized plant is operating at optimum capacity and demand is no longer so great as to justify the retention of obsolete installations.

Readaptation grants, either under Section 23 of the Convention (up to 1960) or under Article 56 of the Treaty, will be available to cushion the impact of these reconversions on the workers: in particular, occupational retraining financed out of such grants will

facilitate re-employment within the same enterprises or at any rate within the industry, and thus reduce the wastage of skilled personnel.

Should the difficulties in which a number of rerolling firms are now finding themselves cause them to make structural changes in order to adapt themselves to the new conditions brought about by the Common Market, Section 23 of the Convention still, for another two years, allows the High Authority to take any decision designed to help ensure that change-overs do not entail serious hardship for the workers concerned.

41. Reductions in working hours are likely to result in a slight increase in manpower requirements. The better the employers and workers co-operate in making the necessary transitional adjustments, the slighter and more temporary will be the repercussions of such reductions on the level of iron and steel production.

42. Throughout the Community, decisions and claims in respect of shorter working hours have raised the problem of alterations to the working-time schedules, particularly in the continuously-operating works departments.

On the basis of information assembled and disseminated during 1957 at the instigation of the High Authority, both the employers and the workers have been able to gain a better and more accurate grasp of the different methods of planning the work in these departments. The point was noted that few workers in continuously-operating branches had hitherto been able to get a real rest at the week-end, but that recent decisions in various countries regarding the reorganization of these services had brought about a number of important improvements.

43. *Vocational training.* – Technical advances will entail a radical change in the qualifications required of iron and steel works personnel.

The High Authority is already doing all it can to encourage the institution and extension of systematic training for process

workers. In view of the rapid development of the production processes training on the job is no longer adequate.

It will be necessary to encourage co-operative ventures at Community level, such as the recent one-day study meetings at which experience was exchanged on methods tried out or successfully introduced of adapting men accustomed to the older type of rolling-mill for work on more up-to-date plant. During the next few months the High Authority will be arranging study meetings on foreman training. It hopes in this way to contribute to the efforts which are being made in many quarters to prepare or adapt personnel, and in particular foremen, technicians and engineers, for the new duties they will be required to perform as a result of improvements in operating methods, work organization, industrial relations and industrial safety, and of structural changes within the enterprise.

The pressing demand for highly-skilled personnel for certain jobs means that recruitment and training of such personnel will need to be organized on a broader basis within the works. The more liberal approach which is coming to be adopted in regard to the integration and promotion of the worker in the enterprise is already inducing some employers to arrange follow-up courses and training courses for supervisory and managerial posts.

In order to further these efforts, the High Authority at a discussion in the Council of Ministers asked and received the consent of the Governments that joint endeavours should be made to work out practical ways and means for ensuring closer and more effective co-operation between the education authorities and industry. In addition, to achieve as rational a distribution as possible of skilled workers in the Community, the High Authority intends to ask the Governments to bring up to date the schedule of occupations<sup>1)</sup> exercised by "workers of recognized qualifications", in order to ensure that the arrangements provided for in Article 69, 1 of the Treaty will be fully effective.

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<sup>1)</sup> Schedule of occupations annexed to the Council of Ministers decision concerning the implementation of Article 69 of the Treaty. See *Journal Officiel de la Communauté*, August 12, 1957.

44. *Wages structure.* – The endeavours by enterprises to modernize their production and step up their productivity are being accompanied by a progressive overhaul of wage systems.

The influence of the wages structure and wage level on productivity is generally recognized, but little is known of the influence which the workers have, or consider they have, on the rate of production, on the productivity of the equipment and tools they use, and on their own output.

The requisites for new posts in modernized workshops have changed considerably; the nature and level of responsibility for equipment and for the flow of operations are altering, and with them the bases of wage assessment and the wages pyramid resulting.

On behalf of the Consultative Committee, the High Authority is collaborating with experts from the employers' and workers' organizations to establish, on the basis of experience gained in different parts of the Community, a record of the various systems of incentive bonuses and the new wage-fixing methods.

Towards the end of 1958 study meetings on job evaluation will provide an opportunity for those responsible for wages policy in the Community to go into these wage-fixing methods in considerable detail, and will thereby help to ensure that such methods are more widely known and employed.

45. *Industrial safety.* – Quite apart from the importance of caring for the workers' physical well-being, and consequently of seeking to improve safety conditions, it is essential that efforts should be made to reduce the relatively heavy direct and indirect charges on the operating budgets resulting from industrial accidents and occupational diseases. The recruitment of workers is incidentally facilitated if the work is made less arduous and less dangerous.

The High Authority has been active in all these connections. It is taking part in the work of combating carbon-monoxide poison-

ing, silicosis and the effects of work at high temperatures<sup>1</sup>). Some first results have already been recorded by the research centres which it is assisting to this end.

Towards the end of 1957 a second programme of financial assistance was launched for research to intensify dust suppression by technical means, raise the standard of industrial safety and contribute to the rehabilitation of accident victims and sufferers from occupational diseases. Three million dollars are to be paid out under this scheme over a period of four years. At the consultations which preceded the adoption of the programme the employers' and workers' organizations expressed whole-hearted approval, and promised their fullest co-operation.

## Section 2 - Social Aspects of Coal Policy

46. *Number employed.* — Predominant among the manpower problems of Community collieries is the difficulty of retaining a sufficient number of underground workers. In 1957, in order to keep the labour force up to strength and increase it by 22,100 men (641,200 in December 1957 as against 619,000 in December 1956), it was necessary to recruit a total intake of 133,200 men<sup>2</sup>).

In some coalfields it is the other principal aspect of the labour problem which has recently been to the fore, in that temporary difficulties in selling the coal, and the consequent piling-up of pithead stocks, are raising the question of security and continuity of employment.

47. *Vocational training.* — On the whole, recruitment of foreign workers went ahead more satisfactorily in 1957 than in 1956, but it is essential that the problem of intensified training for these men should be effectively dealt with if they are to be properly adapted for their work and induced to settle down.

<sup>1</sup>) See Volume Two, Chapter V, Section 2 of this Report.

<sup>2</sup>) Exclusive of apprentices and personnel transferred from one colliery or pit to another. See Volume Two, Chapter IV, Section 1 of this Report.

After discussing the matter with the Council of Ministers, the High Authority stated its willingness to have arrangements made to establish and try out the best systems and most efficient technical methods of training migrant workers for the mines either in their country of origin or in the receiving country.

If the preliminary work indicates that financial assistance would yield valuable results, the High Authority proposes to allocate credits for this purpose from its technical research fund.

48. *Safety in mines.* – Recruitment of underground mineworkers is handicapped by the critical view which the public tends to take of mining as an occupation following particularly serious colliery accidents. After the Marcinelle disaster the High Authority proposed to the Council of Ministers that the member States should draw up a multilateral convention on industrial safety, which would have given the conclusions by the Governments from the proceedings of the Conference on Safety in Coalmines the status of an international agreement. This suggestion was not taken up, but it can fairly be hoped that the hard work put in both by the experts attending the Conference and by the members of the Mine Safety Commission which has been set up in continuation of it will ultimately raise the standard of safety in coalmines to the highest possible level, and thereby remove a considerable psychological impediment to the recruitment and stability of the labour force.

The Mine Safety Commission would, moreover, appear to represent a particularly effective means of promoting and organizing the desired co-operation between the Governments, the employers and the workers, with due regard for their respective competencies and responsibilities.

49. *Wages structure.* – Coalmining circles in the Community are unanimous that pay and terms of employment for underground personnel must be such as to place the men in a privileged position in relation to other industrial workers, this being the only way of securing a labour force commensurate with the Community's coal requirements.

The fundamental difficulty is that it is impossible for the coalmining industry to step up its productivity at the same rate as the other industries employing a large labour force.

The extent to which it is possible to meet the men's legitimate claims in this regard can no longer be assessed simply on the basis of comparative selling prices and labour costs. The High Authority feels that a special effort should be made to evolve new methods of work organization which will take into account at once the economic need for fuller utilization of the very costly plant and equipment and the need for some reduction in the human effort involved. A number of questions were recently submitted to the Consultative Committee in this connection.

### **Section 3 - The Development of the High Authority's Action in the Social Field**

50. Some of the activities undertaken at an earlier stage by the High Authority in the social field have been bringing in experience which is now enabling it to increase the effectiveness of its action by various improvements in procedure.

Thus, of the basis of the first details and results forthcoming from the research work in the field of industrial medicine which it has now been assisting financially for two years, it has been able to establish, in consultation with the research centres concerned, the line to be followed and the field to be covered by the research which remains to be carried out with the aid of the credits still available out of the 1,200,000 Dollar set aside early in 1956 for a four-year research programme.

Similarly, as regards assistance for the building of workers' houses, the knowledge it has acquired of the capital markets and administrative methods in the different member States makes its task of drawing up a third loan programme a great deal easier. As, however, it is anxious to revise its criteria for the allocation of such grants by adapting them to the needs of the moment, it has asked the

national statistics departments to carry out a sample survey on the housing situation of Community workers in 1958.

Co-operation in the field of vocational training in the Community can only be satisfactorily developed provided exchanges of teaching methods and instructional material, which all those concerned are increasingly keen to cultivate, are not blocked in practice by certain administrative impediments and Customs restrictions. Accordingly, the High Authority has asked the Governments to set up a working party of experts to study ways and means of removing these obstacles. Preliminary studies are to be instituted at the same time in regard to the progressive co-ordination of vocational training: a first attempt will be to produce a common definition of the qualifications required for the exercise of a basic occupation or trade in either of the Community industries.

51. The Treaty establishing the European Economic Community has opened up new prospects for the free movement of workers from one member country to another. The provisions of Article 69 of the Coal and Steel Treaty are as important as ever for workers of "recognized qualifications", and the High Authority moreover intends to ask the Governments to bring up to date the schedule of occupations entitling to a Community labour card. It should, however, be emphasized that for the other categories of miners and steelworkers the practical measures to be introduced under the Common Market Treaty will be of the greatest importance. It will be necessary for the High Authority and the governing bodies of the Economic Community to co-operate in this matter on carefully-defined lines as and when the various provisions of the Treaty establishing the European Economic Community come into force.

52. In its last General Report the High Authority specifically listed the limitations imposed on its activities by the Treaty and the ways and means it proposed to employ to fulfil the obligations laid upon it by the social objectives of the Community<sup>1)</sup>. It would now define still more accurately the aims and range of its work.

<sup>1)</sup> See *Fifth General Report of the High Authority*, April 1957, No. 265.



During the first years of its activity, it had to obtain an overall picture of working conditions in the Community industries. This was done by means of numerous surveys and monographs, which enabled all those concerned to familiarize themselves with the situation. It should, incidentally, be noted that the continual changes in labour regulations and social legislation in the various countries make it necessary to bring this information up to date at regular intervals, which is of great value to all concerned.

But of even greater moment for the future of the Community than the situation now existing are the ways in which working conditions are developing and the specific trends which they are following. To get to know these it is necessary to carry out long and detailed surveys, such as the recent High Authority studies *L'Evolution des Salaires et de la Politique Salariale dans les Industries de la Communauté* (published in April 1957) and *Les Tendances de la Sécurité Sociale* and *L'Evolution des Conditions de Travail* (in process of completion).

The object of this documentation and information work is, *inter alia*, to bring out the disparities and divergences between the legislation regulations, standards and collective-bargaining agreements in force in the different countries. The employers and workers and the Governments, who are responsible for seeing that the whole system of labour regulations moves with the times, are able to use the documents put out by the High Authority as a guide for the various measures they are called upon to take to level up living and working conditions. And they can only level them up in proportion as the Common Market for coal and steel contributes to the all-round improvement of living and working conditions in the member States.

The interdependence of the advance in the various fields has become a good deal more marked since the establishment of the European Economic Community. The lining-up of legislation, regulations and administrative procedure which may be expected to result from the activities of the new Community will unquestionably facilitate the work of the High Authority, which for its part must seek out the most effective ways and means for co-operation in this field with the new European institutions.



## CHAPTER FOUR

### FINANCIAL POLICY

53. *General levy.* – The policy of the High Authority has always been to fix the rate of the levy at whatever level is considered necessary to cover the needs of the Community as exactly as possible, with the object of

- (a) maintaining a guarantee fund of 100 m. units of account, principally as security for its lenders;
- (b) having available for expenditure on readaptation and research sufficient provision to meet not only commitments already entered into but also any unforeseen contingency under either of these heads.

At December 31, 1957,

the guarantee fund stood at 100 m. units of account;

the provisions for readaptation exceeded 26 m. units of account;

the provisions for research amounted to close on 9 m. units of account.

This policy explains the variations in the rate of the levy, which was kept for two and a half years at approximately the maximum level the High Authority is entitled to impose without special authorization (0.9%, from January 1, 1953, to June 30, 1955),

and thereafter gradually lowerer to its present figure of 0.35% (from July 1, 1957) a reduction of 60% on the original rate.

Since the liability of the enterprises under the levy is expressed in E. P. U. units of account, the French Government's monetary operation of August 11, 1957, obliged the enterprises in France and the Saar to pay (in francs) 20% more in levy to the High Authority, so that the proceeds of the levy in units of account were unaffected by the adjustment of the French rate of exchange. This episode has demonstrated the practical value of the exchange guarantee afforded to the High Authority in respect of its revenues by the fact that the levy is fixed in E. P. U. units.

54. *Investments of funds.* – Most of the Community's assets are deposited with banks in various forms. A very small proportion is held in a portfolio of first-rate securities. While keeping its funds sufficiently liquid, the High Authority has taken every possible step to increase the yield by consistently improving the pattern of its holdings. The persistent rise in the rate of interest up to October 1957 in all the Community countries of course helped to increase the income from investments.

This investment policy further enables banks to grant medium-term loans to the Community industries. As a result of agreements concluded by the High Authority, the total amount of such loans made available on the banks' own responsibility stood by December 31, 1957, at 48.3 m. E. P. U. units of account.

55. *Borrowing operations.* – Right from its inception the High Authority has made every effort to establish its credit in order to be able to give effective assistance to the enterprises of the Community in regard to industrial investment and to the building of workers' houses.

To this end, it gradually built up a guarantee fund of 100 m. units of account, and concluded with the Bank for International Settlements the Act of Pledge instituting a common pledge for all present and future lenders to it.

The first loan obtained on this basis, which was one of 100m. dollars, was granted by the United States Government in 1954 through the Export-Import Bank, on the terms then current in the American money market.

In addition, specialized investment houses in various Community countries have granted long-term loans to the High Authority, to be spent on the financing of workers' housing schemes.

It was, however, obvious that the High Authority, after raising loans from Governments and banks, must go on to seek direct access to the private capital markets of the Community and other countries.

It turned first to the traditional European long-term capital market, that of Switzerland, where it contracted a loan in June 1956. Having consolidated its credit by this success in the European market, it then, in 1957, floated a bond issue in the private capital market of the United States.

It should also be recorded that in the same year, 1957, the High Authority raised a loan from an institutional investor in Luxembourg — an operation of special interest inasmuch as it marked the High Authority's first successful negotiations with a sector of finance which it had not hitherto approached direct.

The proceeds of all these various loans were re-lent with no margin other than that required to cover service charges on the borrowing and lending operations, and for the same maturity and on the same redemption terms as the loans themselves<sup>1</sup>).

56. *European and international co-operation.* — The development of the High Authority's borrowing and lending operations has resulted in closer co-operation between it and the banks which have from the very beginning acted as its "agents" in these operations, and between it and the Bank for International Settlements. The

<sup>1</sup>) See Volume Two, Chapter VI, No. 324 of this Report.

assistance given both by B. I. S. and by the High Authority's "banking agents", which is so invaluable for all its activities, is increasing all the time, both in regard to the execution of the agreements entered into and in the form of opinions and advice.

The handling of its finances generally, and the investment of the guarantee and other funds, have brought the High Authority into close contact with the principal banks of the six Community countries, of Switzerland and, since 1957, of the United States. All have shown great interest in the development of its activities, and most painstaking care and understanding in handling transactions which are all too frequently complicated by the existence of so many separate national currencies and money markets. The Government departments and agencies concerned and the foreign-exchange authorities of the six Community countries have also given most valuable assistance in this connection.

The High Authority's bond issue in the American market also presented an opportunity for extending international co-operation. The European Coal and Steel Community is now better known in American financial circles, and so too are the scale and progress of the European industries. In November 1957, in order that the two sides might come to know one another better still, the High Authority arranged for 33 important American banking and insurance executives and representatives of the coalmining and iron and steel industries, together with 27 leading European bankers, to see the four Community institutions in operation and visit one of more of the most up-to-date industrial plants in each Community country, under the guidance and sponsorship of the national organizations of the industry or industries concerned.

57. Five years ago, in February 1953, the enterprises made their first payments under the levy, and the new European organization became financially independent.

Today, the High Authority

— holds a reserve of 100m. units of account in a guarantee fund;

- has increased its total resources as reflected in its balance-sheet to the equivalent of 333 m. units of account;
- has contracted seven loans from banking-houses and institutional investors;
- has floated two public bond issues, which have held their prices very well;
- has granted credits amounting to approximately 166 m. units of account to 86 Community enterprises, thereby helping to finance industrial investments of a total cost of approximately 770 m. dollars, and the building of over 30,000 workers' housing units involving the expenditure of approximately 180 m. units of account.

In all, as against a total of 205 m. units of account paid in levy by the enterprises of the Community, the High Authority has made available to those enterprises, by direct or indirect credits, more than 300 m. units.

Admittedly, in face of the capital requirements of the two basic industries, and indeed even of the actual applications for credit received from the enterprises by the High Authority, which are increasing all the time, the assistance afforded is inadequate. However, at least the credit and organization are there, and it is hoped that in 1958 circumstances will be such that the High Authority will be able to expand its financial operations and grant a larger proportion of the applications.

The fact that the general economic position at the beginning of 1958 is somewhat uncertain should not slow down the pace of investment in the Community industries: indeed, if the General Objectives worked out by the High Authority are to be attained it will be necessary to keep up investment, particularly in connection with coal, iron ore, pig-iron and workers' housing. However, the easing in the capital markets, if it continues, should facilitate borrowing both by enterprises and by the High Authority.





## CHAPTER FIVE

### TRANSPORT POLICY

58. The Treaty deals with transport questions not as such, but purely from the angle of the Common Market for coal and steel, and only in so far as they affect its operation and the achievement of its objectives. This is, of course, inevitable under partial integration, since a co-ordinated transport system would only be practicable within the framework of a General Common Market. Accordingly, subject to the provisions of the Treaty, the member States retain full sovereignty in matters of transport policy, and although the High Authority does have powers of its own in this connection, they entitle it, to all intents and purposes, only to issue prohibitions, and not to enforce constructive solutions. In practice, the only constructive action it can take in this field is to exert steady persuasion, and even so it is continually coming up against opposing interests and radically dissimilar approaches to the subject.

Despite its inadequate powers, however, the High Authority has at all times striven to ensure that the objectives of the Treaty shall be achieved in such a way as not to interfere with the framing of a common European transport policy, the need for which it has consistently emphasized. Such a policy could obviously not be properly worked out without a certain degree of participation by the High Authority, as upholder of a Treaty which governs two-fifths of the tonnages handled by the railway and water transport companies of the Community.

In the course of the transition period, a great deal was achieved to prepare the way for a common transport policy, the first

perequisite for which is that opinion should be brought to adopt the "European" approach to transport problems.

### Section 1 - Rail Transport

59. *Elimination of discriminatory practices.* – The first stage in the High Authority's practical achievements in the rail-transport sector was the abolition of discriminations in charges and conditions of carriage, which was carried through without undue difficulty when the Common Market was first introduced early in 1953. This was followed by the progressive introduction, from 1955 to 1957, of international through-rates based on a European ratemaking principle, which ended the practice of increasing the rates each time the train crossed a frontier<sup>1</sup>).

These far-reaching measures have answered the need to ensure that transport-rates operate irrespective of frontiers once these have been eliminated on the economic plane, and do not, as would otherwise be the case, impede trade and obstruct the aims of the Common Market. They have been extended and consolidated by the introduction, following agreements with the Swiss and Austrian Governments, of international through-rates for consignments of Treaty products passing in transit through either of these countries. By the terms of these agreements, the Swiss and Austrian Governments undertook, *inter alia*, to observe the two fundamental principles of the Common Market, the publication of prices and the prohibition of discriminatory practices, exactly as do the member States of the Community.

60. *Harmonization of charges and conditions of carriage.* – The elimination of transport arrangements constituting impediments to trade is not, however, the only objective. Its indispensable complement is harmonization of charges and conditions of carriage, with the aim firstly of eliminating measures which, although they cannot be termed actual discriminations, are liable to have discriminatory

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<sup>1</sup>) See Volume Two, Chapter II, No. 76-78 of this Report.

effects, and secondly, on the positive side, of establishing the conditions best suited to further the development of the Common Market. So far as transport is concerned, the essential effect of harmonization, which is in general a long-term policy, must be to ensure that no action taken in the field of transport shall interfere with the achievement of the objectives laid down in the Treaty, or in particular, with the work of securing the most rational distribution of production.

The High Authority, therefore, has all along devoted to this exceptionally complex problem the close attention which its importance to the Common Market merits. Since the introduction of the through-rates, it has succeeded in instituting various measures making for harmonization, including the standardization of the national tapering ratios up to distances of 200–250 km. and the imposition of certain limits thereafter, the standardization of conditions concerning loading weight or load categories and the adoption of a standard nomenclature specially adapted to transport requirements and co-ordinated with the common Customs nomenclature.

Incomplete though they are, these results are undoubtedly most important. It is obvious that where there is no co-ordination at all as regards tapering scales the mere existence of different national ratios can appreciably distort the normal play of competition, whether by impeding trade or by encouraging dumping.

61. In order to study other aspects of the harmonization problem and at the request of the Government experts, the High Authority has called in the assistance of a group of economists possessing special qualifications in connection with ratemaking and with area development and the siting of industries. They have been asked to work out what disparities in rates are likely to obstruct the satisfactory operation of the Common Market, what principles should be followed to dispose of them, and what would be the repercussions, if any, of such changes as might be made.

The fundamental point on which they have to focus their studies is the tremendous variation in the relations between the rates

charged in the different countries in respect of the principal Treaty products, coal, coke, ores and steel.

Coke may cost the same as coal to transport in one country and up to 40% more in another, and iron ore very nearly the same or more than 50% less. This is due simply to the manner in which the different systems have grown up. There is little to suggest that it could be rationally justified, yet the tariffs in force affect conditions of competition, and the rate of development of the various industries very considerably.

This is a field in which it is necessary to beware of simplified solutions. The fact that the relativities differ does not in itself indicate distortion, any more than the introduction of uniform relativities would *ipso facto* remove distortion. It may be that certain differences in transport conditions are due to differences in the operating conditions of the railway networks, or in the characteristics of the routes used. It is therefore not so much different rates which produce distortion as different ratemaking principles, and still more their inconsistent application or infringement in order to allow special facilities to particular users.

Harmonization in this case must consist not in establishing complete uniformity, but in making sure that the only differences allowed to subsist are those which really are based on practical transport conditions: what is needed is not a mere hybrid composite of current practice, but co-ordination by the institution of a standard or at any rate a reference value, to which the practice of the different countries will concurrently approximate.

Over and above the special problems of the transport sector, in which both the costs and the nature of the demand are difficult to determine, any attempt to find a really effective solution is baffled by the limits of partial integration. We have, however, to bear in mind the preponderant part which the carriage of Treaty products represents in European transport as a whole, and the extent to which these products influence the location of industry. Moreover

the study undertaken is culminating just at the time when partial integration, as represented by the Coal and Steel Community, is being absorbed in the general integration of the Economic Community.

For it is already apparent that the problem of appropriate relativities for coke, coal and ore can never be fully solved except as part of an overall approach to ratemaking principles which will prepare the way both for a common transport policy and for the successful co-ordination of transport at European level — something which has never been achieved in an economically satisfactory manner in any of the individual countries.

62. *Special domestic tariff measures.* — Under the Convention containing the Transitional Provisions, the High Authority was required for the amendment of the various “special domestic tariff measures in the interest of one or more coal or steel-producing enterprises” which were in force at the time when it assumed its duties, to fix such time-limits as might be necessary to prevent serious economic disturbances<sup>1)</sup>.

The first step was to list in full all rate-schedules coming under the head of “special tariffs”, that is, schedules in the various Community countries constituting exceptions to the “general tariffs” in force there, which are in essence the models as regards tariff conformity with the Treaty.

Among the special tariffs themselves, there is the important distinction between *competitive tariffs* and “special domestic tariff measures in the interest of one or more coal or steel-producing enterprises”, significantly known as *supporting tariffs*.

63. The term “*competitive tariffs*” refers to tariffs departing from the general tariff only by reason of alignment with the charges quoted by a competing mode of transport over the same distance, and resulting solely in the sharing of traffic between competing modes of transport without affecting the competitive position of enterprises

<sup>1)</sup> See Volume Two, Chapter II, No. 80-84 of this Report.

in the Common Market. Provided the reduction allowed for purposes of competition has been based on a correct parity, the High Authority considers that competitive tariffs are not counter to the principle of non-discrimination, inasmuch as users who are also served by a competing mode of transport are not in the same position *vis-à-vis* the mode of transport charging reduced rates as users who are not served. Article 70, 5 specifies that, subject to the various provisions of the Treaty, competitive measures as between the different modes of transport and different routes remain entirely within the jurisdiction of the member States. The Article is deemed to be implemented so long as the principle of non-discrimination is fully observed. In other words, not only must the parity be correctly and verifiably calculated, but there must be actual or potential competition from another mode of transport; where potential competition is pleaded, it is necessary to prove a serious threat of actual competition, which is only possible where the competing mode of transport is technically practicable and economically sound, and where it can be shown that mode of transport will be definitely established unless the existing mode of transport introduces a lower tariff based on potential competition.

It was in accordance with these considerations that the High Authority defined its position in regard to the various tariffs described as competitive, some of which in any case called for no comment from it.

64. As for the *supporting tariffs*, which it has had to examine for conformity with the Treaty, the High Authority holds the view that they are lawful only where they are needed to achieve the objectives laid down in Articles 2 and 3 of the Treaty, and can hence be justified only where exceptional circumstances affecting one or more enterprises make it essential that the general tariff should be reduced if these objectives are to be attained.

In the case of some supporting tariffs, the points cited as grounds for retaining them apply to all the E. C. S. C. enterprises in a particular area, and derive not from the situation of each individual enterprise, but from the situation of the area as a whole. Where this

is so, the High Authority has felt obliged, after first checking that the area in question really is badly off in some way, to examine whether the supporting tariff in favour of the coal and/or steel-producing enterprises there does or does not form an integral part of a set of economic measures introduced in implementation of a policy for the area, and whether the existence of this regional problem is one of the criteria adopted in assessing the position of the enterprise or enterprises concerned.

65. It is on these principles that the High Authority has based its decisions on supporting tariffs, and in particular the decisions taken towards the end of the transition period on the important problem of supporting tariffs in respect of carriage of ore and coal.

In taking these decisions, by which all supporting tariffs incompatible with the Treaty are abolished, the High Authority has sought to make due allowance in each individual case for the situation of the enterprise or group of enterprises concerned. This desire to put the accent in the implementation of the Treaty not so much on the letter of its provisions as on the facts of the case may be seen from the differences — varying from two to seven years — in the time-limits which the High Authority has allowed in order to prevent any serious economic disturbance.

66. Further efforts by the High Authority, on the completion of its studies to produce constructive results in this field have included proposals to the Governments of the member States concerned that the supporting tariffs in force be replaced by a general tariff making allowance for the special features of the consignments to the enterprises in question. The High Authority considers that a tariff applicable in practice only to enterprises whose consignments are comparable from the carrier's point of view (tonnages carried, regularity of shipments, return loads, etc.), and making due allowance for these various factors, would not be incompatible with the principles of the Treaty.

The High Authority has no powers of its own in this field. As despite its representations the Governments did not see their way

to taking up these suggestions, it has been obliged to confine itself to the strict letter of the Treaty provisions, with all the long delays which this involves. It adheres notwithstanding to its view that an arrangement along the lines of its proposals would, while avoiding major repercussions, have made it possible to dispose of the supporting tariffs much more quickly than will now be the case.

67. *Unpublished tariff contracts.* – Another important problem in the rail-transport sector which has been receiving attention from the High Authority is the implementation of Article 70,3 which provides that transport rates and conditions of carriage shall be “published or brought to the knowledge of the High Authority”.

Where the latter procedure is followed, it must not be allowed to work out in such a way that the producers are prevented from knowing rates and terms for their competitors' products, and indeed for their own. The High Authority considers that such knowledge is absolutely essential if all producers are to be in a position to exercise their right to check the comparability of the rates and terms of carriage in the Common Market. For only thus will they be able to “base” their price-schedules on complete familiarity with the delivered prices of both their own and their competitors' products, and where appropriate to align their quotations as they are all entitled to do, with the delivered prices of other producers.

## Section 2 - Inland Water Transport

68. Recognizing that, in regard to the elimination of disparities in inland water-transport rates, it would be to the advantage of Europe to work for an arrangement which would cover all waterways and all goods carried thereon, the High Authority agreed early in 1955, with the object of examining any findings emerging from the studies upon which the European Transport Ministers' Conference was then engaging, to postpone efforts for an arrangement to solve only the problems connected with the implementation of the Treaty establishing the European Coal and Steel Community.



As no such findings were forthcoming, the problem was raised for further discussion by the Council of Ministers, at the proposal of the High Authority. The select committee which was directed to study the High Authority's suggestions concerning elimination of disparities and publication of the rates charged submitted a report drawing a sharp distinction between shipping on the waterways covered by the Mannheim Act (very much the more important for the Common Market) and shipping on the other waterways of the Community.

69. As regards the Rhine traffic, all the member Governments concerned subsequently confessed that, owing to the special legal status of the Rhine under the Act, they were not in a position to take any action on the fixing of international water-transport rates. The High Authority therefore proposed, in negotiation with these Governments, that the regulated internal rates should be progressively adjusted, in consultation with itself, to the representative international rates freely instituted by the shipping companies.

On this basis the High Authority succeeded in inducing the member States on July 9, 1957, to conclude an agreement linking up both with the Mannheim Act and with the Treaty establishing the Community. Since Rhine shipping includes vessels flying the Swiss flag, it is intended that Switzerland shall also become a party to this agreement, in accordance with a formula shortly to be negotiated officially with the Swiss Government. In this way it should be possible to line up the Rhine freight-rates in a manner taking due account of prime cost factors and of the operation of a comparatively free Rhine shipping market.

70. The Transport Ministers' Conference has meanwhile been continuing its studies in connection with shipping on waterways other than the Rhine. Since here too it is necessary that whatever arrangement is ultimately made should have the agreement of all the member States and should contain strict provisions for the elimination of disparities in freight-rates, the Council on March 10, 1958, upon proposal by the High Authority, decided to resume its study of this question.

### Section 3 - Road Haulage

71. The volume of goods hauled by road is growing all the time. Although there does not as yet appear to be any necessity to take special action under the Treaty in regard to road haulage of ore and coal, the ever-increasing tonnage of scrap, and still more of steel, now being carried by this means clearly indicate how imperative it is for the smooth operation of the Common Market that a solution should be found for this problem.

Although full and accurate statistics are not yet available on the tonnage of scrap and steel hauled by road on Community soil, certain indications suggest that finished products so carried amount in domestic traffic to some five million tons and in international traffic to one million, out of total deliveries amounting to approximately fifty million tons of finished products.

In this connection it may be relevant to note that some products, such as plate and sheet, mostly are hauled by road, particularly on certain trunk routes.

Except in respect of internal haulage within the Federal Republic of Germany, there are as yet no means of implementing the Treaty in regard either to the vital problem of discriminations or to the no less important one of enabling every producer to exercise his recognized right of aligning his quotations with the delivered prices of his competitors.

Incidentally, this situation is having its repercussions on that fairly sizeable portion of rail transport which competes with road haulage by means of special competitive tariffs. With things as they now are, it is very difficult to calculate correctly the parity which forms the indispensable basis for the establishment and examination of such tariffs.

72. The High Authority has thus been making great efforts since 1954 to have the Treaty provisions satisfactorily implemented in the transport field. Because of radical differences of opinion among

the Governments, however, it came up against a number of difficulties. The main problems are of two kinds, but are, in the view of some Governments, closely interlinked.

First, there is the question of publication of transport rates and conditions of carriage, which has already been raised in connection with the private contracts entered into by certain railway companies and not published, and which is a very much more important problem in the road-haulage sector.

The High Authority has worked unceasingly to secure prior publication of rates and conditions so as to enable all users to find out what they need to know.

In view of the special features at present characterizing road haulage, and of the absence of any common co-ordinating policy, a certain flexibility could, however, be permitted in respect of such publication: the rates published could, for instance, be maximum and minimum rates, provided the difference between them did not exceed specified limits.

The second group of difficulties relates chiefly to ratemaking for international road-haulage traffic. Conflicting opinions, however, have made it so far impossible to introduce constructive measures in this connection.

The High Authority is convinced that ways and means can be found of working out empirical solutions which will make due allowance for economic conditions and for the concrete needs of the road-haulage companies. Accordingly, it has suggested practical rules whereby maximum and minimum international rates can be progressively introduced under given conditions. These rates would be based on the total distance covered or on the route, and would also take into account the technical and economic conditions of road-haulage traffic in the member States concerned.

On the basis of these proposals by the High Authority, the member Governments, at the meeting of the Council of Ministers

on March 10, 1958, unanimously agreed on the action to be taken to deal with the main problems regarding publication of transport rates and conditions of carriage and ratemaking for international haulage<sup>1</sup>).

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<sup>1</sup>) See Volume Two, Chapter II, No. 89 and 90 of this Report.

## CHAPTER SIX

### POLICY ON JOINT BUYING AND SELLING AGENCIES

73. Agreements between enterprises, and in particular organizations set up by producers and dealers for the joint buying and/or selling of Treaty products, require prior authorization from the High Authority. This can be granted only in accordance with the provisions of Article 65 of the Treaty and, during the transition period, of Section 12 of the Convention. These stipulate that authorization shall be granted only if

- (a) the agreements contribute to a substantial improvement in the production or distribution of the products in question;
- (b) they are not more restrictive than is necessary for their purpose;
- (c) they will not give the enterprises concerned the power to determine prices, or to control or limit the production or selling of a substantial part of the products in question within the Common Market, or protect them from effective competition by other enterprises within the Common Market.

This has meant that the High Authority has had in each case to lay down two limits within which joint selling could be authorized: the sales in question must not be too large, in order that they shall not restrict competition within the Common Market more

than is necessary, while at the same time they must be sufficiently large and well organized to bring about a real improvement in the distribution of the products concerned.

In the coal sector, the mining and marketing conditions described in the High Authority's statement on coal policy further confront the selling agencies with special problems in regard to the balancing of employment and the balancing of the different grades of coal<sup>1)</sup>.

74. These problems and the measures taken by the High Authority to deal with them are clearly reflected in the form adopted for the *reorganization of the Ruhr coal-handling agencies*.

The fact that there had been since the beginning of the century a central selling syndicate to which all the collieries belonged meant that the High Authority had no past experience to draw upon in its efforts to establish conditions of competition compatible with the Treaty.

It therefore endeavoured, in consultation with the Federal Government and the producers' and workers' representatives, to settle the details of the functions to be assigned to the joint-selling agencies. So, in addition to three independent agencies it set up certain joint bodies to be responsible for any tasks compatible with the Treaty which the agencies would not be able to perform separately.

The High Authority's authorizations, on which the whole coal-selling organization of the Ruhr is now based, expire in March 1959. Meanwhile, the High Authority is maintaining a constant watch to ascertain whether the agencies are achieving the results hoped for when the authorizations were granted, and whether they are operating within the terms of its decisions. It was to help them do so that the High Authority also set up a consultative committee to work with their Joint Office, consisting, over and above the Ruhr

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<sup>1)</sup> See *Fifth General Report of the High Authority*, April 1957, Chapter XIII.

coal-owners' and miners' representatives, of representatives of dealers in and consumers of Ruhr coal in the different Community countries.

Thanks to the supervision which it exercises over the activities of the Ruhr agencies and their joint bodies, the High Authority is able to adjust the terms of its original authorizations in accordance with the experience which it is acquiring as these are implemented.

Thus, when it found that too many direct-buying wholesalers would have lost their status following the introduction of the tonnage limits above which dealers were to be entitled to obtain their supplies direct from the agencies, it issued a fresh decision reducing the limits for all three agencies. Again, it found that in the Netherlands the full enforcement of the new limits would have made it impossible for normal competition among dealers to develop at all. It therefore suspended the introduction of one of the limits as a transitional measure.

In order to keep a stricter check on the agencies' pricing system, to make sure that all future changes in their prices will be in conformity with Articles 2, 3 and 4 of the Treaty, and to prevent any infringement of the ban on price agreements in Article 65 of the Treaty or of the terms of its own decisions authorizing joint selling by these agencies, the High Authority has made it compulsory for them to notify it of all intended price changes four weeks before they submit their price schedules.

The High Authority is now studying the whole of the activities of the agencies and collieries in connection with the marketing of Ruhr coal, in order to decide whether, and if so on what terms, it could consider extending the authorizations beyond April 1, 1959. This involves particularly careful investigation of the manner in which the systems of *Werksebstverbrauch* (certain direct sales by producers as part of enterprises' own consumption) and *Landabsatz* (direct local sales) affect the agencies and the state of affairs on the basis of which the authorizations were issued.

75. In the case of *joint selling by Cobechar*, the agency through which the Belgian collieries sell part of their production to industrial consumers, it was not so much the tonnages sold which required examination, as the manner in which this agency should operate in order to secure an improvement in production and distribution.

The High Authority regarded it as inadmissible for Cobechar to have any say in the fixing of the collieries' production level. In all other respects the terms of the authorization were along the same lines as those adopted in the case of the Ruhr agencies.

76. Parallel with the measures taken under Article 65 concerning joint-buying and selling organizations, with the object of adapting their structure and activities to the rules of competition of the Common Market, the High Authority has had to deal with the question of Government-appointed and Government-sponsored bodies operating in the market in much the same manner as the joint-buying agencies.

The object is not, of course, to abolish official bodies compatible with the Treaty, or to dispute the member Governments' right to make whatever arrangements they might deem fit in the spheres left under their jurisdiction, but to modify these arrangements and the activities of these official organizations in such a way that their effects on the market shall not be more restrictive than the activities of the joint-buying and selling organizations duly authorized by the High Authority.

With this end in view, the High Authority, basing itself on Articles 86 and 88 of the Treaty, opened discussions with the Luxembourg Government concerning the *Office Commercial Luxembourgeois*, and with the French Government concerning the *Association Technique de l'Importation Charbonnière (A.T.I.C.)* and the French coal-market regulations as a whole, which constitute a system of national protection, and as such are incompatible with the Treaty.

In the decisions which, following these discussions, the High Authority felt obliged to take under Article 88 of the Treaty, it was



careful to insist only on changes definitely necessary to bring the Government rules and regulations into line with the provisions of the Treaty and with the operation of the Common Market, while providing for such transitional measures as may be needed to enable the different market structures to be progressively adapted to present conditions<sup>1)</sup>.

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<sup>1)</sup> See Volume Two, Chapter II, No. 99 and 100 of this Report.



## CHAPTER SEVEN

### COMMERCIAL POLICY AND EXTERNAL RELATIONS

77. In its resolution on commercial policy of November 19, 1957, the Assembly noted that "during the first five years of its operation, the European Coal and Steel Community has consistently pursued a policy of co-operation with third countries which has brought about an intensification of trade", and emphasized that "the experience of the Community over this period has come to form part of a broad outlook favouring the extension of Europe's relations with the rest of the world".

The Treaty defines the lines along which this open policy is to be implemented, and the High Authority has applied itself to following them out by using every means which came to hand. In its constant co-operation with the Governments and the other institutions, the High Authority has always sought to produce formulas which would help to expand trade and lead to closer relations with non-Community countries.

As regards external relations, the end of the transition period was marked by the harmonization of the Community's external Customs tariff, and by the conclusion of a tariff agreement with the United Kingdom.

It may also be noted that the work of the Council of Association increased in scope, that discussions with third countries and with the international organizations were continued, and that a number of new agreements were signed.

Studies and negotiations are now in progress in connection with the inclusion of coal and steel in a free trade area, but the first results are not expected until after the submission of this Report.

78. *Harmonization of Customs duties.* – In punctilious fulfilment of the transitional provisions, the member States on February 10, 1958, introduced on their external frontiers a Customs tariff harmonized on the basis of the lowest rates in force in the Community, *i.e.* the Benelux duties plus two points.

The High Authority, in consultation with the member Governments, had come to the conclusion that this increase by two points, which is permitted by the Convention, was necessary to facilitate harmonization.

In the case of France and Italy, the duties may be supplemented by “geographical protection”, amounting to a uniform one point for France and to two to four points, according to product, for Italy.

Likewise in accordance with the Convention, France and Italy have been authorized by the High Authority to charge slightly more than the harmonized duty on a small number of products, for a period not to exceed two years.

Thus the average tariff protection in the Community will from now on work out at approximately 6%, whereas five years ago France, Germany and Italy charged duties ranging from 12 to 28%.

This levelling-down process had already begun some time ago. In some cases the member States had introduced tariff cuts of their own accord; in others they had anticipated harmonization in return for concessions from the third countries directly concerned, as for instance in respect of the duties on steels and special steels negotiated at G. A. T. T. level in 1956 with Austria and the United States.

The principle of harmonizing external tariffs has already been the subject of an exchange of views in G. A. T. T., when the

Fifth Annual Report of the member States was discussed. No objections were raised for the most part by the Contracting Parties to the member States' proposed procedure, except by the Austrian and Swedish delegations.

79. In establishing the Common Market for coal and steel, the six member countries, rather than institute an external tariff representing the average of their existing tariffs in accordance with the G. A. T. T. rules on Customs unions, undertook to harmonize their duties with those of their least protectionist countries, plus two points. This had two results. The first is that the arrangement has worked out very much more to the advantage of the third countries than the minimum rates prescribed for Customs unions, in view of the considerable disparities in duties on steel existing at the time of the negotiations; the second is that it has been possible to allow a certain margin between the rates of the different member countries.

What has been done, therefore, is to harmonize duties, not to equalize them.

This means that duties may vary from one country to another more or less in proportion to the additional transport costs involved by indirect as against direct importation. This additional natural protection is called "geographical protection".

It had always been planned that harmonization should not take place until towards the end of the transition period, in order, firstly, that the economies should be able to adapt themselves to the new conditions brought about by the Common Market, and secondly, if possible, that steps might be taken to negotiate with the third countries concerned, not the actual concessions of harmonization, which were granted unilaterally, but at any rate their implementation before the date fixed.

To this end, tariff quotas allowed to the Benelux countries during the transition period, to enable them to maintain their own duties for their internal real requirements, at the same time enabled the other member countries to maintain higher duties. But these

quotas were due to be abolished on February 10, 1958, and as a result of the unimpeded circulation of products imported from third countries into a Community country harmonization had to follow, if only for economic reasons, to prevent possible deflections of trade currents.

The six member States, represented in the Council of Ministers, and the High Authority achieved that harmonization not only in complete observance of the letter and spirit of the Treaty, but moreover in full conformity with their undertakings to G.A.T.T.

80. *Tariff Agreement with Britain.* - Within G.A.T.T., it had not been possible to conclude a tariff agreement with Great Britain. However, work went ahead in the Council of Association between the United Kingdom and the Community with a view to the joint framing of proposals for the reduction of iron and steel tariffs, in implementation of Article 8 of the Association Agreement and in accordance with Section 14 of the Convention.

At its meeting on October 24, 1957, the Council of Association reached agreement on these proposals, and thereupon transmitted them to the Governments of the United Kingdom and the member States, which accepted them and subsequently, on November 25, signed a formal agreement in Luxembourg. This will come into force when all the instruments of ratification have been deposited with the Government of the United Kingdom.

Under the terms of this agreement the United Kingdom Government undertakes to reduce its rates of duty on a large number of iron and steel products, which previously ranged from 15 to 33 $\frac{1}{3}$ % *ad valorem*, to a level not exceeding 10% *ad valorem*, at the same time making the appropriate adjustments in the alternative specific duties.

The Community countries for their part undertake that the maximum rates applied by them shall be those arrived at by the harmonization of their duties on the perimeter of the Community.

The agreement lays down a special procedure for prior consultation: if either party wishes to raise its duties, it is required to consult first with the other "in order to ascertain whether agreement can be reached on a course of action which would avoid the necessity for increased duties", or, if it cannot, to discuss the extent of the increase.

The agreement further provides that nothing contained in it shall affect the obligations to which its signatories may be subject under G. A. T. T. In accordance with the most-favoured-nation clause, the other Contracting Parties to G. A. T. T. will also benefit by it. It represents one step farther towards the elimination of tariff barriers: it supplements the Community's harmonization of its own duties, inasmuch as there will henceforward be a certain degree of harmonization between Community and United Kingdom duties, which will be all to the good in dealing with the highly complex problems raised by the inclusion of coal and steel in a future free trade area. Both economically and politically, this is a gratifying outcome to the very concentrated work put in by the High Authority<sup>1)</sup>.

81. *Other third countries.* — The Community's always very close relations with the United States were recently signalized by the High Authority's action in inviting to Luxembourg a large party of leading figures from American industrial and financial circles.

The High Authority's permanent contact with the American Mission enables all problems arising between the United States and the Community to be satisfactorily disposed of.

The effectiveness and value of this liaison work was clearly shown in July 1957, when a difficulty which had arisen in connection with the policy of the Joint Office of Scrap Consumers on imports

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<sup>1)</sup> The other proceedings of the Council of Association, and of its three standing committees (the Trade Relations Committee, the Steel Committee and the Coal Committee), are dealt with in detail in the Second Annual Report submitted by the Council to the High Authority and the United Kingdom Government, which has just been issued to members of the Common Assembly.

of American scrap was successfully surmounted in accordance with the best interests of all concerned. The High Authority had been informed that a committee of the United States Senate had noted with concern that the Joint Office was doing all its importing of American scrap through a small group of dealers. The High Authority acknowledged that the purchase of large tonnages of scrap from the United States was a matter involving special problems, and accordingly agreed it to be essential that there should be no element of discrimination or restriction whatsoever in the Joint Office's purchasing schedule, and that that schedule should be so drawn up as to enable all suppliers to the Joint Office to compete on an equal footing. The Joint Office thereupon adopted a new purchasing procedure in conformity with these principles.

82. Co-operation with the other countries which have accredited delegations to the High Authority has produced fresh positive results, either in the form of the coming into force and implementation of agreements referred to in previous High Authority Reports, or in that of solutions to problems of common interest.

The Consultation Agreement between the Swiss Confederation and the High Authority, which was signed in Luxembourg on May 7, 1956, came into force on January 26, 1957. The Joint Standing Committee met in Luxembourg on February 8.

An agreement on the introduction of international rail through-rates in respect of coal and steel passing in transit across Austrian territory, which was signed on July 26, 1957, came into force on March 1, 1958.

The Transport Committee set up under the railway-rates agreement with Switzerland held its constituent meeting in Luxembourg on September 19, 1957, and its first ordinary meeting in Rome on November 5.

The Joint Standing Committee provided for in the agreement between the Austrian Federal Government and the High Authority also held its constituent meeting in Luxembourg on June 21, 1957.



These various agreements have produced some first practical effects. Negotiations are now in progress for a further agreement with Switzerland to associate that country with the agreement signed on July 9, 1957, by the member Governments and the High Authority concerning freight rates and conditions of carriage for coal and steel shipped on the Rhine.

As regards conversations and discussions with third countries, special mention must be made of the talks held with the Danish, Norwegian and Swiss authorities on the import prices of certain steels, as a result of which most of the difficulties were cleared up in a satisfactory atmosphere of general anxiety to co-operate.

Another non-member country, Greece, has established direct diplomatic relations with the High Authority.

83. *International organizations.* — The Community maintains close contact with a number of international organizations.

To G. A. T. T. the member States have punctually submitted their annual reports, accompanied each year by a supplementary statement from the High Authority. This year, over and above the usual discussions on supplies of coal, coke and scrap to third countries and on the level of coal, coke and steel prices, there was an exhaustive debate on the harmonization of Customs duties.

The Community's position was that it could and would discuss the principle of harmonization, but that the harmonized rates could not be announced until after February 10, 1958. They were duly announced in the Sixth Report, submitted on March 30, 1958, after which the Community is no longer required to report to G. A. T. T.

From now on the Community's relationship to G. A. T. T. is that of any other of the Contracting Parties: it will be prepared to discuss any problems of common interest which may arise in the spirit customarily characterizing G. A. T. T. proceedings.

The conclusions which may be drawn from the five-year cross-examination in G.A.T.T. of the High Authority's work and of its repercussions on the interests of the third countries may be summed up as follows: the comprehensive exchange of questions and answers to which the six member States and the High Authority have submitted has brought home to all the Contracting Parties the scope and significance of the development of the Community. As they have become better acquainted with the activities of the High Authority the apprehensions expressed when it was first set up have to a great extent died away.

In O.E.E.C. the High Authority has continued to send representatives to the meetings of the various committees with which it is associated, including in particular the Committees on Steel, Coal, Energy, Manpower, Equipment etc. The really outstanding new event of the year is that the High Authority has come to be very closely associated with the negotiations in O.E.E.C. for the establishment of a free trade area.

Mr. Dirk Spierenburg, Vice-President of the High Authority, has been appointed to sit on the Intergovernmental Committee set up by an O.E.E.C. resolution of October 17, 1957, to work on the institution of a free trade area.

High Authority representatives attend all meetings of the committees and sub-committees set up by the Intergovernmental Committee of which Mr. Reginald Maudling is Chairman. Among these is a special Working Party on Coal and Steel, which has been instructed to study the special problems raised by the inclusion of coal and steel in a free trade area multilaterally associating the European Coal and Steel Community and the other O.E.E.C. countries and to propose appropriate solutions.

In relations with the *Council of Europe*, over and above the annual joint meeting of that organization's Consultative Assembly and the Common Assembly, which was held in Strasbourg on October 19, 1957, and the various discussions in Luxembourg with the Economic Affairs Committee in preparation for this meeting,

it should be mentioned that for the first time a meeting was held in Luxembourg, on March 27, 1958, between Sub-Committee III of the Council of Europe and the High Authority. The object of this meeting was to permit the Sub-Committee and the High Authority to talk over the problems raised by the Consultative Assembly's Recommendations 76 and 141, concerning the action to be taken to enable local authorities to cope with their new responsibilities resulting from the establishment of the Community.

Co-operation between the High Authority and the *International Labour Office* included the proceedings which culminated in the signing of the multilateral Social Security Convention in Rome on December 9, 1957<sup>1</sup>).

The High Authority was invited to send an observer to the meetings of the Interim Committee on Nomenclature of the Customs Co-operation Council in Brussels.

84. *Co-ordination of commercial policy.* — In its resolution on commercial policy of November 19, 1957, the Assembly drew the High Authority's attention to the fact that it would be necessary before the end of the transition period to frame a procedure, in agreement with the member States, regarding the practical details of the co-operation provided for by Article 71,3 of the Treaty.

The reasons for this co-operation are as follows:

In the Community, the member States retain their sovereignty in respect of their commercial policy *vis-à-vis* third countries in all cases where the Treaty contains no specific provision to the contrary. Thus they can, in certain circumstances, impose restrictions on imports from third countries, if this is allowed under the international agreements in force.

At the same time, diverting the flow of goods imported from third countries *via* a Community country where no such

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<sup>1</sup>) See Volume Two, Chapter IV, No. 187 of this Report.

restrictions are imposed can nullify the value of these permissible measures. For this reason, the Treaty provides that the other Community countries may be required to lend their co-operation to any country which asks for it in order to prevent diversions of this kind.

The High Authority is empowered to propose to the countries concerned the methods by which this co-operation shall be undertaken, once it has ascertained that the restrictions introduced by the applicant State are in conformity both with its international commitments and with the provisions of the Treaty.

The High Authority has discussed with the Governments in the Council of Ministers the practical forms which this co-operation could take. One Government expressed reservations concerning the High Authority's suggestions, which included the proposal that provision should be made for a special emergency procedure. This procedure has, however, already been adopted once. The Belgian Government asked for this to be done, since it found itself obliged on February 24, 1958, to impose restrictions on imports of coal from non-member countries as a result of the steady increase in imports and in coal stocks within Belgium.

85. The harmonization of duties and the application of the rules on co-operative action are two instances of what can be done to co-ordinate the commercial policy of the member States. The possibilities for co-ordination are, however, not the same in the European Economic Community as they are in the European Coal and Steel Community.

In the Coal and Steel Community, which integrates only two sectors of the economy, it has been necessary that the member States should in general retain their sovereign rights in respect of commercial policy. Measures contravening this principle are enacted only in so far as they may be needed to prevent the free play of such rights from interfering with the satisfactory operation of the Common Market for coal and steel.

Under the Treaty establishing the European Economic Community, which covers all products other than coal and steel, the member States are, on the other hand, no longer fully sovereign in respect of commercial policy, which has to be co-ordinated through the new institutions. Since there can obviously be no question of following a co-ordinated commercial policy in every field *except* that of coal and steel, the Governments' undertaking in the framework of the European Economic Community to co-ordinate their general economic policy must be interpreted as also extending to coal and steel.

This of course alters the present state of affairs, and the co-ordination of commercial policy will need to be carried out with the proviso that so far as coal and steel are concerned all co-ordinatory measures introduced must be in conformity also with the Coal and Steel Treaty. It should not be difficult to work out ways and means for co-operation between the two Communities in this matter.

86. *Free Trade Area.* — The Assembly, taking up the findings of a report by its Political Affairs Committee, has expressed the view that one very important way in which the relations between the Community and Great Britain could be intensified would be the inclusion of coal and steel in a free trade area. In one resolution, indeed, the Assembly invited the Governments of the member States to have the High Authority represented at the O.E.E.C. discussions in this connection.

The High Authority is at present taking part in the negotiations of the Maudling Committee. Much care and thought went into the preparation of the position which it and the member States were to adopt in the special working party dealing with the problems of including coal and steel in the area.

The High Authority was represented earlier on at all the preparatory meetings, both in Brussels and in Paris and Luxembourg. The closest co-ordination has been instituted, in agreement with the Council of Ministers, between the representatives of the Governments and of the High Authority respectively. At the present Paris

negotiations they take counsel together before all meetings for negotiation between the "Six" and the "Eleven", so that as far as possible the Community always takes a co-ordinated stand, its points being made, according as the question may require, either by the High Authority on behalf of the Six or by the Governments' own representatives.

The fundamental aim of the policy pursued is to keep firmly to what is practicable. The unity of the Common Market must be maintained and recognized by the other countries involved. If it is the intention of all concerned to set up a free trade area or zone of economic co-operation genuinely calculated to facilitate trade between the Common Market and the other O.E.E.C. countries, with the object of ensuring more rational production and increased productivity and hence a higher standard of living in Europe, the High Authority feels that every country must show understanding for the situations and points of view of the others.

87. The High Authority and the member States have consistently striven to achieve an equitable balance between the principle of an open Common Market and the need to organize that market to the best advantage of the producers, workers and consumers in the coal and steel sectors of the six countries.

The High Authority has worked, and worked successfully, to give practical effect to those provisions in the Treaty which attest the Community's determination to promote the expansion of international trade, by concluding a whole series of agreements with third countries, employing in each case whatever formula seemed best suited to the position and special interests of the country concerned.

It is to be hoped that, now that the principle of integration is being extended to cover the whole economy of the six countries, the High Authority's open-door policy will encourage the countries which have not felt able to join to expect beneficial developments from the line which the Communities of the Six intend to pursue.

The general principles which the Assembly has invariably enunciated and the policy the High Authority has followed hitherto should be sufficient assurance to the third countries that the Six will spare no effort to find practicable forms for genuine economic co-operation at European and international level.





## CHAPTER EIGHT

### INFORMATION POLICY

88. The signature and ratification of the Rome treaties in 1957 have not been without influence upon the High Authority's information policy. This policy had long ceased to be confined to the admittedly most important fields of economic and social information work and of daily Press releases, and was bringing all appropriate technical resources to bear in an endeavour to reach the various circles which make up European public opinion. This trend has been accentuated by an ever-increasing demand for general information on the significance of that unprecedented but by no means un-repeated experiment which began in Luxembourg and our six respective countries in August 1952. The very people who used on occasion before 1957 to be dubious or downright critical are now among the keenest of all to examine the new problems confronting them in the light of the experience gained by the European Coal and Steel Community.

Public opinion polls carried out in several countries and systematic analysis of Press reports indicate that the "relaunching of Europe" has been accompanied by a recrudescence of public interest in the Community and that its work has touched a chord in European and world opinion.

The Common Assembly, in a resolution adopted at its Extraordinary Session in February 1957, stressed "*the importance of keeping public opinion objectively informed on all aspects of the Community's work and the political repercussions of that work*". At the same time

it requested the High Authority “to redouble its efforts in the field of information”<sup>1)</sup>.

89. The regular contact of the High Authority’s Information Service with news agencies, newspapers and radio, television and newsreel services have been further intensified. Every week at least one Press conference is held in Luxembourg, and several Press releases are issued. Liaison is maintained with broadcasting, cinema and television organizations on the numerous occasions when an event seems likely to provide material of general public interest. Such occasions have included the signature in Rome and subsequent ratification of the new treaties as they affected the existence and operation of the Coal and Steel Community; the establishment of a European *baccalauréat* (school-leaving certificate) and inauguration of the European School in Luxembourg; the introduction of a European card in implementation of the principle of freedom of movement for skilled miners and steelworkers, and the signature of a convention on social security for migrant workers; the official handing-over in the Ruhr of the ten thousandth worker’s dwelling built with aid from the High Authority; new appointments to leading posts in the High Authority; the first meeting of the Presidents of the three European Communities, and so on.

90. Activity in connection with fairs and exhibitions has been rather less than usual owing to concentration on preparations for the Brussels World Universal and International Exhibition. The European Community pavilion in Brussels cover an area of 32,300 sq.ft. and has 89,300 sq.ft. of exhibition space.

The Community was nevertheless represented at two important regional fairs, at Chalon-sur-Saône in June 1957, and at Saint-Etienne in September, as well as at various official occasions organized by trade unions and European movements. In the Federal Republic of Germany its travelling exhibition, which had already visited five cities and been seen by 50,000 people by April 1957, has

<sup>1)</sup> *Débats de l’Assemblée*, April 1957, No. 16, p. 383.

since that date been to six more cities and received 56,000 more visitors.

In addition, light, easily-transported display material with explanatory matter in several languages is lent on request for conferences, lectures, and similar occasions.

91. Study visits to Luxembourg, which are a highly effective means of bringing home to the various sections of public opinion the importance of the work the Community is doing, have increased fairly considerably; the total number of people taking part in such visits came, between April 1957 and April 1958, to 6,400, not counting journalists, as against 5,200 in 1956-57 and 1955-56.

The groups invited, some 200 in all, were made up from among numerous applicants with a view to reaching first and foremost persons influential in political, administrative, professional, trade-union or university circles. Whenever possible the talks given in Luxembourg are followed by free discussion within the groups, then by verbal reports in the presence of officials of the High Authority, and often by published reports issued by the groups themselves or the organizations which they represent.

These groups are by no means made up only from circles specializing in coal and steel problems: their members come also from university and adult education centres, associations of engineers and managerial and executive personnel and trade-union organizations representing workers in all branches of industry.

To quote only a few examples, study visits to Luxembourg were recently made by groups with an obvious interest in the three European Communities, including parties of Central-African deputies and politicians, presidents of Chambers of Commerce, publishers and editors of food growers' trade journals, officials of ministries of economic affairs, representatives of national public-relations associations and others.

92. Parallel with this development of study visits to Luxembourg, more lectures are being organized in the Community countries, the United Kingdom and the United States.

By this means it is possible to decentralize the information system and to maintain certain contacts with the public at large. Several hundred such lectures are arranged every year, at the request of bodies of all kinds, but more often in collaboration with specialized movements or associations, such as the Europa-Union and the Komitee für Fragen der Europäischen Wirtschaftseinheit in Germany, and the European Youth Campaign, as well as various member associations of the European Movement in the other countries. This work is being particularly actively pursued in trade-union circles and in the field of adult education.

93. More and more information work is being done in the educational world, both among teaching personnel at the different levels (university, secondary, primary, etc.) and among students.

A growing number of teachers and students are writing in for material, advice and information on the European Communities for the purpose of preparing lectures and theses.

Meeting such as the International Study Conference on the E. C. S. C. held in Stresa at the beginning of June 1957 have certainly helped to focus the interest of university circles on the various aspects of European unification. It is planned to organize international debates between university lecturers and students in the Community pavilion during the Brussels exhibition.

Each year the High Authority, in collaboration with the Council of Europe, awards research fellowships to encourage studies on the unification of Europe, and more especially on the concrete problems which the European institutions are called upon to resolve. In 1958, for the first time, competition for these fellowships is open to nationals of the Swiss Confederation which is not a member of the Council of Europe but has concluded a consultation agreement with the High Authority of the Coal and Steel Community.

In addition, the European School in Luxembourg, with its co-ordinated syllabus in four languages and its leaving certificate recognized by the six member States, is the first materialization of the Community's educational potentialities.

A renewal of interest is already observable in most of the Community countries, notably in Italy, where the school broadcasting service is organizing competitions between different schools on the subject *La mia Casa si Chiama Europa*. In Italy also several meetings of school inspectors have been held in co-operation with the Ministry of Education, which have proved extremely valuable. In the Federal German Republic, a publication entitled *Europa wächst zusammen* has been issued to all schools in 144,000 copies.

In 1958, as in previous years, the instructional problems involved in imparting facts about the European Community will be discussed at study meetings attended by specialists from the six countries.

94. The names and addresses of all those who have been contacted direct in the course of this public-relations work or who have themselves applied for information are registered in a Hollerith punched-card system in which all relevant facts and/or designations, such as country, language, occupation, special interests, etc., are recorded in the form of holes punched in significant positions for mechanical classification and selection. This index at present contains about 30,000 names, and is growing daily.

95. The information aids used have become more numerous and varied as the work has developed.

To the three documentary films already available there will soon be added one short and one medium-length Cinemascope colour film produced specially for the Brussels Exhibition, and a "March of Time" feature film in black and white on the unification of Europe from 1945 to 1958. In response to requests from educa-

tional centres in several countries, some of them outside the Community, a short film for use in the teaching of geography is also in production.

Sets of filmstrips are in circulation in the Netherlands, the United States and Great Britain.

As regards printed material, the collection of booklets published by the Information Service now includes a new edition of — *What is the Community?* a brochure entitled *A Problem for Europe — the Supply of Energy* and two illustrated booklets *Coal and Energy Requirements* and *Europe's First Common Market*. This last is a summary of the High Authority's last General Report. All these publications are published in the four languages of the Community and the majority are also available in English. One has even been translated into Polish at the request of the trade-unions, and into Spanish mainly for distribution in Latin America.

Wall-charts, graphs and maps are supplied to schools and colleges on request.

In addition, numerous booklets are published, with the assistance of the Information Service, by various bodies which have sent representatives to the Community's study conferences under such titles as *Achtundvierzig Stunden in Luxemburg* or *Vingt-cinq ingénieurs à Luxembourg*.

The *Bulletin mensuel d'Information*, which appears in four languages with a circulation of 20,000 copies, is intended for circles with a direct interest in the Common Market for Coal and Steel. Alongside this publication there are four News Letters presented in a manner taking into account different national mentalities and designed to appeal to a wider public interested not so much in the details of the Communities' work as in their life and affairs generally and in the progress of European unification. These are

- two editions of *European Community*, published in London and Washington in 5,000 and 15,000 copies respectively,

- *Comunità Europea*, published in Rome with a circulation of 20,000 copies, and
- the French bulletin *Communauté Européenne*, which appeared for the first time in November 1957, and now has a circulation of 11,500 copies.

A plan to publish a similar bulletin for the German-speaking public is now under consideration.

Finally, in its series "Studies and Documents", the High Authority publishes original work intended for a more specialized public. Three volumes had already appeared by April 1957, and the following have now been added:

- Study on the Structure and Trends of the Energy Economy in the Community countries;
- Auvergne-Aquitaine — a regional employment survey<sup>1)</sup>.

A similar survey entitled *Liguria* is to be published shortly.

96. The long list of activities is indicative of the importance which the High Authority, like the European Parliamentary Assembly, attaches to keeping public opinion adequately informed. It is no exaggeration to say that the whole work of the European Communities is dependent on the interest they have already aroused and must now contrive to maintain, both inside and outside Europe, at all levels of the population.

Possessed of a considerable fund of experience and encouraged by the Assembly, the High Authority has from the very inception of the two new Communities emphasized the need for close

<sup>1)</sup> It may be recalled that the High Authority also publishes in the four official languages a bi-monthly statistical digest, a *Bulletin de Statistiques* and certain highly specialized publications such as *Les Sources du Droit de Travail*. The Secretariat of the Common Assembly published a monthly information bulletin and a quarterly classified bibliography, and the Court of Justice a case-book.

co-operation between the European executive authorities in the field of information and public relations. The Common Market and Euratom Commissions have expressed their full agreement on this point. As a provisional measure, the Information Service of the High Authority, including its various offices in Bonn, London, Paris, Rome and Washington, has been placed at the disposal of the other Communities pending the setting-up of a joint Service which, while fully respecting the apportionment of competencies and duties, will be required to present to public opinion, in a single perspective and with the minimum of expense, the aims, achievements and significance of the European Community.