

EUROPEAN COAL AND STEEL COMMUNITY

THE HIGH AUTHORITY

Policy Report

LUXEMBOURG
FEBRUARY 1965

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INTRODUCTION

In accordance with the undertakings it gave in June 1964 at the European Parliament's debate on the Twelfth General Report of E.C.S.C., the High Authority is today submitting a policy report drawn up with two ends in view:

- (a) now that the member States have decided to proceed with the merger of the Executives, and subsequently of the three Communities, it is felt to be desirable to cast up the results obtained on the basis of the Treaty establishing the European Coal and Steel Community, as a contribution to the work of preparing the ultimate amalgamation of the three Treaties;
- (b) since the economic and social problems facing the Community will remain no matter what institutional changes are made or when, it is necessary to sketch in broad outline the action required to deal with them.

The first part of the report is an attempt to meet the Parliament's request for an assessment of the organizational powers of the Community Institutions and of the Community armoury and machinery on the economic and social side. It examines these in the light of E.C.S.C. experience, dealing first with the institutional structure of this oldest of the European Communities, then with the salient features of the Treaty of Paris as compared with the Treaties of Rome, and lastly with the results of the application of its particular provisions in the economic and social spheres.

The second part outlines the measures needing to be taken in the coal and steel sectors. The impending merger is not a reason for the policymakers of the Communities to back-pedal, or to adopt a "wait and see" attitude. It is already obvious that the project will take much longer to complete than its promoters originally expected, and moreover the Institutions have not such a number of tools ready to their hand that they can afford to neglect those they do possess. The only possible course for the E.C.S.C. Executive is accordingly to press on regardless, acting in line with the requirements of the sectors in its charge.

P A R T O N E

What Twelve Years Have Shown

A — THE INSTITUTIONAL STRUCTURE OF E.C.S.C.

1. The object of submitting this Report to the European Parliament is to help ensure that Community questions are more fully known and grasped. For in this regard the Parliament plays an all-important part. Were it not for the *European Parliament*, the Communities' political significance would be seriously impaired: without it, their work would come over to the public only via the Press, Radio and TV of the individual countries.

Public opinion can only be properly alerted to Community problems in all their aspects through a regular dialogue between the High Authority and Commissions and the Councils on the one hand and the Parliament on the other. At the same time, that dialogue must be between an Executive that actually is answerable and a Parliament that actually does have practical powers: without answerability, any Parliamentary debate, however interesting, is liable to remain merely academic. Only provided the Parliament has the ability to act, on the basis of

definite powers, can there be said to be genuine democratic control. The furtherance of the Community cause cannot be confined to mere exchanges and discussions; it cannot, therefore, sidestep the question of Parliamentary powers.

There is certainly no truth in the suggestion that the Parliament, as at present constituted, is basically a consultative body only: it has all along been, in matters covered by all three Treaties, a supervisory Institution with power, *inter alia*, to pass censure on the High Authority and the Commissions and compel their resignation. It has, moreover, other competencies. The E.C.S.C. Treaty in Article 95, 3-4 contains provision — an original and extremely important provision — for its own amendment, within stated limits, by the four Community Institutions only (commonly referred to as “minor revision”): the fact that such amendments are subject to Parliamentary endorsement by qualified majority vote does in itself constitute the rudiments of legislative powers. Two important points have emerged from the occasions on which this Article has been invoked. In the first place, it has been established that amendment of the Treaty by this procedure is a very helpful means for supplementing the existing facilities open to the Community in order to deal with situations initially not foreseen. Thus, as will be described, the criteria for workers’ readaptation and industrial redevelopment were broadened in 1960 by the concerted action of the Council, the High Authority, the Court and the Parliament, to enable the Community to cope with the effects of the coal crisis. It may be noted in passing that the change was at that time considered by many to be economically and socially necessary only for the coal sec-

tor; it was made applicable to the steel sector too chiefly on legal grounds. Yet not so many years later, the new provisions were found to be essential outside as well as inside the coal industry: the iron-ore sector needed them also.

The High Authority and the Council took steps to amend the Treaty a second time by the "minor revision" procedure, in 1961, when an attempt was made to alter the terms of Article 65 to permit temporary authorization of inter-enterprise rationalization and emergency agreements. The Court of Justice, however, ruled the project out of order in view of the very strict conditions laid down in Article 95, 3. The proposal was therefore never put before Parliament. Thus practical experience of "minor revision" has shown on the one hand that the procedure is highly effective where it can be applied, and on the other that it can at present be applied only within a very restricted field.

In addition to the embryonic legislative authority vested in it by Article 95, 3, the Parliament has in E.C.S.C. the nucleus of a budgeting authority, in that it has a voice, through its President, in the validation of the administrative budget estimates by the Committee of the Presidents of the four Community Institutions. The procedure in question is not ideal, but it should be viewed in the light of its origins, as part of the pilot project for institutionalized economic integration, an *ad hoc* arrangement adopted in accordance with the earlier process of "partial," or sectoral, integration. There is at any rate this to be said for it, that it does give a say in the matter to all the Community Institutions, and hence to the European Parliament in

particular. The Parliamentary Committee responsible has always devoted the closest attention to the subject, and the Parliament enjoyed a definite influence on the budgeting of administrative expenditure.

As regards E.C.S.C. revenue — the levy fixed annually under Article 50 of the Treaty — it has become institutional practice to go beyond the actual requirements of the Treaty: for years the High Authority has made it its custom to consult with all the Parliamentary Committees involved before fixing the rate of the levy. Thus both sides of the E.C.S.C. budget, revenue and expenditure, are drawn up with the participation of the Parliament, by a body answerable to it.

The Parliament's legislative and budgetary powers are real but limited: their true function is as a starting-point, they in some sort prefigure the full establishment of Parliamentary powers as traditionally understood. Accordingly, the High Authority has not failed, in the course of the discussions on the merger of the Executives, to emphasize that to scrap such rudimentary powers as the Parliament has to influence budgeting, through the Committee of Presidents, would be a retrograde step in comparison with the present arrangement and with most received thought on the subject.

The methods envisaged for merging the Executives and the Communities are doubtless bound to give rise to some such difficulties, but since the question of the Parliament's budgetary powers will in any case have to be dealt with sooner or later, it would be most desirable not to allow the thread to be broken, even temporarily.

Another point stressed is that, in E.C.S.C., the Parliament can influence the Executive's membership through the co-option system. Under the Treaty of Paris, the Members are (except in the event of the complete renewal of the High Authority) appointed alternately by the Governments and by the sitting Members, and in the latter case the High Authority, as always, acts only with Parliamentary endorsement. Under the projected merger, however, the co-option system would go, and this bond between Parliament and Executive with it.

2. No appraisal of the Community's institutional structure in the light of past and present experience of the basic facts of Community affairs could possibly omit mention of the importance of the *Court of Justice*. The Court is the custodian of the Treaty, and as such the main element making for progress towards a commonwealth based on law. A glance at the immense variety of litigation dealt with by it in matters relating to E.C.S.C. makes clear the importance of its rulings to the process of economic and legal integration, and reveals the exemplary manner in which the Court is discharging its duties as controller of the law and counterpoise to the powers of the Executive.

As time goes on the Court's juridical functions may be expected to grow still further, more especially by reason of the increasing volume of E.E.C. appeals. It is, however, not for the High Authority but for the Court itself and the other institutions responsible, to draft any necessary changes regarding the size of the Bench, rules of procedure and so on, to ensure prompt and equitable judgments.

It would, in addition, be advisable to make provision for the future unification of the rules, at present still different in some respects, concerning the appeal arrangements in the three Communities; for instance, the Court's entitlement to interpret E.C.S.C. law should be extended to tally with its entitlement under Article 177 of the E.E.C. Treaty.

3. The principal function of the **Special Council of Ministers** in E.C.S.C. is "to harmonize the action of the High Authority and that of the Governments which are responsible for the general economic policy of their countries" (Article 26 of the Treaty). The Council's specific powers are usually exercised by the giving or withholding of its agreement (a valid agreement requiring different majorities in different cases, and on occasion even a unanimous vote) to various measures which the Treaty empowers the High Authority to take only with such agreement. Alongside the powers the High Authority exercises itself (very commonly after first hearing the views of the **Consultative Committee**), there are, therefore, a considerable number of others which it exercises jointly with the Council. This arrangement can be said to have worked well: it permits the ordered weighing-up of national standpoints as against the Community approach evolved by a body independent of the national authorities, with the object of arriving at a solution taking account of all the interests involved.

In a number of instances, shortcomings in the Treaty — as for example in connection with commercial policy — have been remedied by unanimous decisions of the Ministers in Council, taken at the prompting of the High

Authority. Such proceedings lie outside the actual provisions of the Treaty, but are made possible by the existence of the Institutions for which it does provide.

And it is no small tribute to the makers of the E.C.S.C. Treaty that the same four Institutions — Executive, Parliament, Council and Court — have been taken over as the basis for the two later Communities, as they will doubtless be also for the single Community of the future.

B — THE TREATY OF PARIS AND THE TREATIES OF ROME

4. In recent Annual Reports, and in its introduction to the report issued on the first ten years of the Common Market for coal and steel,⁽¹⁾ the High Authority has already made a number of points with regard to the *relations between “partial” and “general” integration*. The time is now felt to have come to go more fully into the problems involved, which will need to be actively tackled in the course of the preparations to conclude a single European Treaty in place of the present three.

It is not proposed here to restate in detail remarks made in the latter report concerning the results achieved by E.C.S.C. partial integration and the limits it has by its nature inevitably encountered; these findings based on a comprehensive evaluation of economic and social data for the period 1952-62, in the main still hold.

(1) “C.E.C.A. 1952-1962: Résultats — Limites — Perspectives,” May 1963, pp. V-XXV.

We are here concerned to establish what conclusions can be drawn from the implementation of the Treaty of Paris since 1952, as compared with that of the Treaties of Rome. It is the High Authority's considered opinion that the points of conflict between the three Treaties are not such as to preclude a constructive synthesis combining the more valuable elements from each.

5. Two of them, the E.C.S.C. and Euratom Treaties, institute **sectoral economic integration**; the third is the basic instrument for the integration of the entire economy apart from the sectors already covered — a process as yet still going on, since it is only part-way through the prescribed transition period.

The difference between sectoral and global integration is less radical than might appear at first sight. Economic and social policy, though based on a single general concept, has always to be differentiated in accordance with the special features of the individual sectors of the economy. This can be seen in the economic legislation and government organization of every industrialized country. On the same principle, the E.E.C. Treaty has a special section on common transport policy; similarly, agriculture, while included in E.E.C.'s general approach, is covered by a set of special provisions. And the Euratom Treaty, signed in Rome at the same time as the E.E.C. Treaty, makes separate arrangements for the nuclear sector.

It would therefore be mistaken to suppose that sectoral and global integration are fundamentally irreconcilable, or that the one can be readily absorbed in the other. On the contrary, for economic and social integration to

proceed at all it is necessary to frame, within one overall policy, suitable policies for individual sectors, mutually co-ordinated of course but each tailored to the specific requirements of the sector concerned. This has been further confirmed by the acceptance at European level of the need for a policy on energy. The real points at issue, then, are correct sector delimitation and sectoral, as distinct from overall, rules.

A single Treaty can thus not have as its aim to jettison the sectoral approach: on the contrary, it should reinforce it by providing the economic and social armoury needed to enable policy to progress in all sectors simultaneously, taking in as it goes along those elements at present found only in embryo in the European Treaties, such as fiscal and monetary policy.

* * *

From practical experience of sectoral integration, it can fairly be suggested that this method may well be of great value for other parts of the world planning to embark on economic integration. In the case of countries only half industrialized or less, sectoral integration, concentrated in the first instance on key activities, is more likely to work than global integration, which can be fully effective only among advanced economies. This is a point which needs to be borne in mind in formulating policy *vis-à-vis* the emergent countries. With the necessary modifications, Community experience and technical assistance can undoubtedly be of considerable service in establishing the best arrangements for the purpose.

6. It is commonly remarked that the E.C.S.C. Treaty is a *corpus of precise rules*, whereas the E.E.C. Treaty is an *outline programme*. There is truth in this, but the fact thus baldly stated should not be allowed to obscure the real significance of the differences between them: closer examination shows that a blend of both elements is always present. Large portions of the E.E.C. Treaty are on the "rules" model, such as the provisions concerning the dismantling of duties and quotas and the progressive establishment of the common external tariff; while others do relate mainly to principles and to the procedure for their implementation, this is not necessarily because the negotiators regarded this as the best solution, but in many cases because they had not been able to agree during the negotiations on more detailed provisions. Conversely, substantial sections of the E.C.S.C. Treaty lay down only principles and procedures (as for instance on transport), and so constitute more an "outline programme." It is not therefore a matter of fundamental conflict between two systems, only of a difference on practical application, with the focus in E.C.S.C.'s (and Euratom's) case rather on detailed, immediately applicable rules binding the enterprises direct, and in E.E.C.'s rather on principles and procedures. Where the implementation of the E.E.C. Treaty has already led to the fixing of detailed rules, the end result may well work out very similar to the E.C.S.C. arrangements, as witness, for instance, the regulations on cartels.

There can thus be no question that a codified Treaty is less appropriate in itself than an outline Treaty, or *vice versa*. An outline Treaty is effective only in so far as it leads on to the drawing-up of rules: the rules alone define the true content of the system. Hence to compare progress

to date in economic integration *via* E.C.S.C., E.E.C. and Euratom it is not enough simply to look at the relevant passages in the three Treaties side by side. For example, the fact that Article 201 of the E.E.C. Treaty contains a clause concerning "other resources of the Community itself" is not a sufficient reason for assuming that the special system ensuring the financial independence of E.C.S.C. is now outdated: this cannot be known until it is seen just how the Article is to be applied in practice. Again, simply because the E.E.C. Treaty binds the member States to institute a common transport policy it need not be taken that the E.C.S.C. Treaty's provisions on the carriage of coal and steel have lost their point.

The same with supranationality — that is, the powers vested in the Executive. The High Authority's powers stem direct from the Treaty, and can hardly be increased (or reduced) short of amending the Treaty itself.⁽¹⁾ The implementation of the E.E.C. Treaty, on the other hand, may result in a substantial increase in the powers of the Commission: no specific provision is made as to the extent of these, which will depend on what the relevant Regulations and Decisions have to say on the subject. As regards cartels, for example, the Commission has been allotted powers very much like the High Authority's. The agricultural regulations give it some direct powers, but require others to be exercised by it jointly with administering committees of national representatives.

7. Attention must however, be drawn to one effect of these differences between the European Treaties which real-

⁽¹⁾ Except by recourse to Article 95 (covering "cases not expressly provided for" and the 'minor revision' procedure"); cf. subsection 7 following.

ly is important — the *greater flexibility of the E. E. C. Treaty*. The E.E.C. Institutions are not entitled, any more than their counterparts in the other Communities, actually to establish machinery not provided for by the Treaty, but ample scope is allowed for subsequent adjustments to E.E.C. regulations inasmuch as the regulations themselves were for the most part introduced in the first place by the Institutions' own decisions: power to make such a decision implies power to alter it. For so long as amendment requires unanimous acceptance by all six members it will of course remain difficult to secure, but when the qualified-majority rule comes into force in 1966 the position is likely to become a good deal easier. The E.C.S.C. Treaty, on the other hand, in many cases defines very strictly the way in which the High Authority is to exercise its powers, leaving the latter very little elbow-room, and no means of enlarging it except, fractionally, by invoking the procedure of "minor revision" and "cases not expressly provided for."

Reference has already been made ⁽¹⁾ both to the importance, in E.C.S.C.'s experience — notably in connection with the coal crisis — of having some means of adjusting the working of the Treaty, and to the limitations encountered in practice. Similarly, the value of an enabling clause in respect of "cases not expressly provided for" was clearly shown over the difficulties in the coal sector: by invoking Article 95,¹ the High Authority was able to grant temporary assistance to colliery workers placed on short time, and to help finance the holding of accumulated pithead stocks during the worst period of the crisis. But apart from these various possibilities under Article 95, any appreciable

⁽¹⁾ See p. 9 above.

alteration to the substance of the E.C.S.C. arrangements involves the drawing-up of a new Treaty and its ratification by the Parliaments of the six member States: obviously this procedure will not be lightly resorted to for partial and even minor amendments.

The future single Treaty should therefore preferably include provisions whereby the Executive, or the Executive and Council jointly, could adjust, extend or restrict the application of the rules and procedures laid down, the matter to be also referred to the Parliament in the case of measures of general scope. Such is the practical conclusion suggested by twelve years' experience.

8. The general points made in the last three subsections were felt to need restating, since there is a common tendency in considering the European Treaties not to see the wood for the trees, so that the opinions formed are not always based on a comprehensive assessment.

The conclusion from the foregoing is that the amalgamated Treaty must not simply be modelled on one of the existing three: it must be a synthesis of experience to date, supplementing, improving and omitting as necessary. In the High Authority's view, it should combine elements both of the outline and of the codified type of Treaty, at the same time broadening the field of application of the provisions concerning "cases not expressly provided for" and "minor revision."

9. One great fact that twelve years have definitely shown is that the establishment of an industrial Common Market involves, over and above the actual elimination of internal impediments to trade, the use of appropriate weapons of economic and social policy. The lack has been sharply apparent in matters of commercial policy and transport, in which E.C.S.C., standing as it does for partial integration only, has been unable to lay down a proper Community line. On coal and steel themselves, it has availed itself during these years of practically every one of the facilities the Treaty affords, and has in addition repeatedly made use both of Article 95 ("cases not expressly provided for" and "minor revision") and of the special provision in Article 37, which is of considerable importance as allowing the Executive some degree of independent action. However, the exigencies of energy and coal policy in particular have caused it to be realized that additional means of action are needed, as can be seen from the adoption of the Protocol on energy policy.⁽¹⁾

The High Authority is naturally aware that energy and steel questions as such are not directly on a par with questions of industry in general; nevertheless, the oligopolistic structure of the coal and steel markets, and the special production and marketing conditions prevailing in sectors so sensitive to business fluctuations, do present all kinds of major problems which are also to be found in varying degrees in other sectors of industry.

⁽¹⁾ See Part II, subsection 4, below; also *Journal Officiel des Communautés Européennes* No. 69/1964.

E.C.S.C.'s economic and social armoury cannot thus be assessed purely with reference to the sectors at present under its jurisdiction (coal, steel, iron ore and scrap). Given the impending merger of the Communities, it must be regarded from the angle of a Community *industrial policy*, incorporating policy on energy and policy on iron and steel.

Those immediately concerned have all along realized what tremendous opportunities the establishment of the Common Market would afford to European industry: managements became more enterprising, labour made ready for European-level trade unionism. The Community too must be able to play its full role, establishing the preconditions for the modernization and regular expansion of production throughout the six countries.

In this connection it should be noted that the E.C.S.C. and Euratom Treaties, though dealing only with specified basic sectors, explicitly aim at the launching of an industrial policy designed to stimulate the only process that can ensure a higher standard of living in the Community, economic expansion.

The E.E.C. Treaty on the other hand, though like the E.C.S.C. Treaty laying down rules of competition and allowing scope for an area-development policy, contains hardly any specific provisions concerning industrial development. The European Investment Bank is admittedly required to aid the working-up of relatively backward regions, modernization and conversion schemes, and projects of common interest to several member States which cannot be entirely financed from national sources, but its terms of reference do not include economic development as such.

The E.E.C. Commission did recently embark on preparations for formulating a medium-term economic policy, which will doubtless contain many constituents for an industrial policy. Nevertheless, with no specific Treaty provision for the requisite machinery and powers, such a policy will perforce have to rely principally on the Governments' voluntarily co-ordinating their activities.

10. Here too, then, the Treaties are not basically in conflict, but rather mutually complementary. Even so, the coming merger must obviously not simply perpetuate the *status quo* — which incidentally presents substantial discrepancies in some respects, as for example in the Treaties' respective rules of competition. Moreover, the sector delimitation resulting from the existence of three parallel Treaties reflects past history and is thus not in keeping with present economic logic: one prerequisite for a co-ordinated, or a common, economic policy will be a consistent system for all fuels.

Energy problems, however, are not the only issues to be taken into account in connection with industrial policy: such a policy needs a broader base than energy and steel alone. Take for instance **research policy**: it is a common complaint that firms in the Old World cannot afford to spend as much on research — pure or applied — as their competitors in the New, yet a Community research policy backed by a special budget is at present possible only in the sectors of nuclear energy and of coal and steel, and nowhere else. This is an anomaly which needless to say will very definitely have to be put right.

11. Community financing of scientific, technical, economic and social research is only one of the instruments of indus-

trial policy provided for by the E.C.S.C. Treaty. Taken together these instruments constitute as it were the expression of a policy designed to supplement the play of market forces by limited action at key points, for the purpose of ensuring the steady expansion and modernization of production, and to correct it wherever it seems liable to create an imbalance prejudicial to long-term development.

Thus for example the High Authority periodically issues *General Objectives* for modernization, long-term production planning and expansion of production capacities in the Community industries. These are drawn up in consultation with all the industrial circles concerned and with the Governments, and serve to help them set their course by the most accurate information possible on the outlook in the E.C.S.C. sectors.

Specifically in line with the General Objectives, the High Authority further issues "opinions" on enterprises' *investment* projects, and assists some of them with long-term loans. Incidentally, Euratom's procedure is in many respects similar to E.C.S.C.'s. The two Communities' special concentration on the orientation of investment is due to the nature of the sectors concerned: both are basic industries in which capital expenditure is enormously heavy and slow to pay off, while production is highly distinctive and at the same time widely enough distributed over the economy as a whole for forecasts of demand to be linked to the expected movement of the general wealth.

There is no compulsion about the arrangement, nor is it *dirigiste* in the sense of requiring enterprises to act in accordance with the wishes of the powers that be. Though

High Authority loans over the last ten years total the very substantial sum of five hundred million dollar units of account, this represents a bare 5% of the overall volume of capital expenditure during this period. Such a contribution cannot radically influence investment activity throughout the industries concerned; at the same time the importance of these loans must not be underestimated, since they are concentrated on the financing of programmes deemed to be in the general interest of the Community. It should be noted, by the way, that they are not all industrial loans: some are for a social purpose, namely housing for miners and steelworkers. On the strength of ten years' experience, it can safely be said that European-level action of this kind does definitely work.

Certain methodological details apart, common sense suggests that such arrangements for the orientation of investment in key sectors selected according to their particular characteristics could only be of the utmost value to a merged Community. Moreover, this would clearly be in line with the E.E.C. Council's Decision of April 1964 ⁽¹⁾ on medium-term economic policy, which directs, *inter alia*, that an economic programme, phased over several years, shall be drawn up to serve as a basis for the co-ordination of economic policies, more especially in fields of cardinal importance to the economic and social development of the Community.

12. In connection with investment policy, then, the makers of the E.C.S.C. Treaty placed great value on the organized dissemination of all data calculated to make for

⁽¹⁾ See *Journal Officiel des Communautés*, No. 64/1964.

properly informed and thought-out action on the part of the authorities, producers, workers and consumers.

In addition, the Treaty makes broader provision for systematic co-operation between the Executive and the circles concerned. Regular consultation is carried on both in the Consultative Committee and by direct contact with producers, workers, consumers and dealers, to secure their views on trends in the Common Market and the use of the means of action open to the Community.

One other very important feature of the Treaty of Paris is that the Community rules apply direct to the enterprises, and the High Authority can enforce compliance with them and with the Decisions implementing them, if necessary by disciplinary action. The fact that the rules and their application are thus indissociable is vital to the conversion of the separate national markets into a genuine Community market: it was, for instance, instrumental in bringing about that **market transparency** (the publication of coal and steel producers' price schedules, and of carriers' rates and conditions) which is in its turn to help eliminate all forms of discrimination, in order to maintain normal competitive conditions in an oligopolistic market. Also aimed against discrimination is the Treaty's ban on State aids of any kind.

The same is true as regards the system of **prior authorization of cartels and concentrations**, and cheking on the activities of enterprises in dominant positions in the market.

On rules of competition the E.E.C. Treaty is less detailed and strict than the E.C.S.C. Treaty: nothing is said

as to prior authorization of concentrations, or price publication, and a much more flexible position is adopted concerning State aids, the provisions on which were drawn up with an eye to the requirements of an area-development policy.

The following points emerge from an examination of the rules and regulations governing the operation of the Common Market for coal and steel.

First, in the matter of cartels and concentrations, the Treaty's provisions and the use the High Authority has made of them have enabled competition to be kept operating normally in highly oligopolistic sectors, while at the same time allowing enterprises to change in size, as they must, in order to keep pace with the growth of the market and the march of technical progress. Specialization agreements have been authorized where necessary. Joint-selling arrangements, which are of special importance in the coal sector in particular, are the High Authority's constant care. The application of the rules of competition can thus notably influence the pattern of industry — an element of obvious importance to industrial policy.

The question of the most suitable administrative set-up for dealing with cartels and concentrations after the merger is being studied by the High Authority, which will make its findings known in due course.

In the matter of aids and subsidies, experience has shown that the E.C.S.C. Treaty is too rigid: the contingency of a structural decline of an industry was not foreseen, and insufficient scope was allowed for an area-development

policy. The market-transparency and non-discrimination regulations, however (quite apart from the value of market transparency as such to the producers and consumers), have helped to stabilize conditions, and this E.C.S.C. contribution to the better operation of oligopolistic markets has yielded a fund of valuable experience which will need to be carefully analysed. In any event, it would be well to adjust the modalities according to circumstances.

As regards the special E.C.S.C. provisions concerning the action to be taken in the extreme eventualities of "serious shortage" or "manifest crisis," the former has never in fact come up, and when a crisis, or glut, developed for coal, the relevant provisions could not be implemented because only a majority in the Council of Ministers was not convinced that the highly complex arrangements laid down in Article 58 were the right ones for dealing with the difficulties.

At the merger of the Treaties, the disparities between their respective rules of competition must be ironed out; in addition, some of these rules require amendment, and in not a few cases relaxation. The aim must be to ensure the smooth functioning of the Community industries basic to industrial production as a whole, while at the same time, by appropriate rules on concentrations, encouraging the development of an industrial pattern to scale with modern standards though in no way monopolistic in character.

13. We now come to E.C.S.C.'s experience with what is without doubt the Treaty's most original innovation in the field of socio-economic policy, *the readaptation/redevelopment system*.

Here the Treaty was primarily concerned with that fundamental requirement of the modern economy, that industry should be all the time in process of change, in pursuit of higher productivity and hence a higher standard of living for all. By introducing the concept of "readaptation" — the tiding-over and retraining of workers becoming redundant — it sought to ensure that overall economic progress should not involve social hardship for particular sections of the population or particular areas.

Part of what is being done in this connection, with funds furnished half by the High Authority and half by the Governments, for the benefit of workers who are having to adjust themselves to the structural changes which all economic progress must involve, is designed to take the strain on the human side. But where the changes are more sweeping it is sometimes not enough simply to assist the worker himself to switch from one occupation to another: new activities have first to be attracted to replace the traditional industry in process of contraction. Here too the E.C.S.C. Treaty marked a new departure: it empowers the High Authority to help finance the establishment of new economic activities, provided these offer alternative employment for redundant miners or steelworkers. Initially, the conditions were somewhat restrictive, since assistance for readaptation and redevelopment purposes was conceived mainly with an eye to the effects of the introduction of the Common Market, which was of course bound to entail structural changes in a number of areas. But it was not foreseen that after the transition period (1953-58) the coal and steel sectors would find themselves undergoing far greater structural changes than that. Nevertheless, this is what has happened, first in coal, shortly after the transition period

ended, and more recently in iron and steel also, especially with regard to the iron-ore mines. Consequently, Article 56 was subjected in 1960 to a "minor revision" whereby eligibility for readaptation or redevelopment assistance was extended to all cases resulting from a radical alteration in the sales position for coal or steel. In this way a regular and very important instrument of Community policy came into being.

Seldom has a new device of economic and social policy excited so wide an interest. Part Three, Title III of the E.E.C. Treaty is based on it, and the idea has been taken up by legislators in several other European countries and in America.

The outstanding feature of the system is the dovetailing of social, regional and economic elements. No stable social policy is possible without effective economic measures, and the economy cannot progress smoothly unless action is taken to cushion the social and regional impact of structural changes. Tide-over allowances and occupational retraining are enabling workers to take up new jobs, thereby automatically raising their productivity; the establishment of new activities which will absorb workers from older industries now undergoing contraction or reconstruction is helping to ensure that areas hitherto dependent on these industries will not lapse into lasting stagnation.

Although, as has been noted, generally speaking the E.C.S.C. Treaty does not afford really adequate scope for **regional-development policy**, the High Authority has been able by readaptation and redevelopment to play a notable part in the tackling of various regional problems. Its work can

and should be further intensified by increasingly close co-operation with the regional and/or national authorities both on the preparatory studies and on the actual projects. It may be added that the number of pending applications for E.C.S.C. assistance with redevelopment projects is growing all the time.

In the High Authority's view, ten years' experience of readaptation and redevelopment unmistakably indicate that upon the merger of the Communities the arrangements in question should be retained, and indeed extended, as part of a proper industrial policy.

14. Clearly, no such policy would be possible, any more than would a Community research policy, without a sound financial basis; nor would the industrial loan policy, nor the part-financing of building schemes for workers' houses. For this reason, *financial autonomy is one of the corner-stones of the whole E.C.S.C. fabric.*

As regards cost, the E.C.S.C. levy at present stands at one-fifth of one per cent of the value of production. But as regards policy, it has all along been the bulwark of the Community's independent operation. Moreover, in conjunction with a sound financial policy, it is the basis of the excellent credit standing on the strength of which the High Authority has been able in ten years to contract loans totalling over five hundred million dollar units of account. E.C.S.C. financial operations have not only aided investment, both industrial and social: they have brought closer co-operation on the part of financial institutions at national and international level. Whereas in the beginning borrowing operations had been carried on mainly outside the Com-

munity, it has in recent years been possible to resort increasingly to Community capital. The latest E.C.S.C. loan, floated by a syndicate of banks of eleven European countries, may be regarded as a fresh sign of international financial co-operation.

It would appear to be essential that the future single Community should retain a similar basis for its credit and activities — that is, power to raise the funds it requires. Essential for two reasons: firstly, as surety for the numerous obligations contracted on the Community's behalf in ten years, and secondly, as a stable basis for economic and social action in depth. With the levy as low as it now is after twelve years — the rate was originally fixed at 0.9 %, and has progressively been reduced to its present 0.2 % — there need be little fear of a burdensome European taxation over and above the existing heavy national tax charges. The Community's work is not intended to be carried on alongside the Governments' policies, let alone in competition with them: it is designed to co-ordinate and to complement, by adding to the activities of the national authorities a new dimension conceived in accordance with the general interest of the Community. But if it is to do so the Executive must have — up to a point, naturally — genuine independence, both as to its powers and as to its material resources.

15. Such are the High Authority's main conclusions from the implementation of the E.C.S.C. Treaty over twelve years. Practical experience has shown the Treaty to contain a great many valuable, and even essential, bases for a comprehensive Treaty embracing economic integration in all its aspects. As has been seen, this is more especially

the case as regards the need for a European-level industrial policy. Attention has also been drawn to points calling for improvement and adjustment, including in particular the rules of competition: a number of discrepancies between the rules for the E.C.S.C. and those for other sectors need to be eliminated, the more urgently in the case of competition between rival products such as coal and fuel oil.

In some respects E.C.S.C. sectoral integration will have to be lined up with the concepts underlying global integration, as for instance in the matter of common commercial policy, common transport policy and free movement of workers; again, global integration must be the answer in fields which a Treaty dealing only with two sectors could not cover at all, such as right of establishment, free movement of capital and harmonization of legislation (including in particular fiscal legislation).

Further to these general observations, it is intended, prior to the merger of the Executives, to issue a more detailed account of the High Authority's position with respect to the ultimate merger of the Communities. Only in the context of the fuller merger can the intermediate stage, the establishment of a single Executive for three separate Communities, be properly understood, and for this reason it is felt that European public opinion should concern itself now with the charting of the second part of the merging process, even though it may be some years before this is effected. For it is the merger of the Communities that will be paramount for the outcome of the work of economic integration begun in 1950.

PART TWO

Action Programme

PRELIMINARY OBSERVATIONS

1. As an introduction to the following broad outlines of the Community measures the High Authority considers will need to be taken in the coal and steel sectors, it may be recalled that both have in recent years been undergoing very rapid changes which will continue to be a vital factor in the framing of the policy to be pursued regarding them.

Since 1957, the position of *coal* has been more and more eroded by the substitution of other fuels, and in particular of fuel oil. This process is by no means confined to the Community: all over Western Europe there has been a steady decline in coal sales to every consumer sector but three — the coking-plants, the thermal power-stations and the briquetting-works. Within the Community, notwithstanding a vast increase in the overall demand for energy, activity in a number of coalfields has dropped markedly, and, while total Community production is still not very much less than seven years ago, the balance so maintained is anything but secure, and is indeed preserved only thanks

to a variety of special arrangements instituted by the authorities — restrictions on imports of third-country coal, taxes on oil, and support of various kinds. The rationalizations carried out or planned are quite insufficient in themselves to restore the collieries to competitive operation, and the great question is therefore, what production capacity should be kept in service, for reasons either of area policy or of security of supply. The Community is having to consider what steps should be taken for this purpose, and how they can best be co-ordinated; care is needed to see that distortions within the Common Market are avoided, and it is essential to safeguard both the rightful interests of the workers affected by the thoroughgoing reconstruction of the coalmining industry and the economic balance of the areas concerned.

On the *steel* side, total production has doubled in ten years, but major changes have been developing here too, some of them not unconnected with the complete transformation in the coal market. Readier and cheaper access to raw materials overseas has favoured the large-scale installation of steelworks in coastal areas, and these coastal plants have been responsible for a great part of the increase in production, parallel with those in the traditional inland steel regions. The whole industry is involved in a process of rapid technical and structural change which is necessitating much exceedingly costly capital investment. The iron-ore mines are having a tough struggle against competition from imported ore, and the independent pig-iron plants are in difficulties. Community producers, and their opposite numbers in the other traditional steelmaking countries, are having more and more to reckon with competition from new producer centres in other parts of the world.

Both in the coal and in the iron and steel sector, then, the emphasis must be first and foremost on raising productivity — that is, on modernizing, adjusting, reorganizing. For this process to go through smoothly, it is vital to maintain a certain stability (duly leavened by competition), while at the same time doing everything possible to promote the change-over from the old to the new organizational structures which will enable the basic industries to continue playing their full part in overall economic expansion.

THE GENERAL OBJECTIVES AND THE STRUCTURAL CHANGES IN THE COMMON MARKET

2. It has been repeatedly pointed out that, in order to draw up *General Objectives for coal* ⁽¹⁾ it is necessary to have some idea of the Community's policy on energy.

The size of the Community's coal — production capacity that can be kept in operation depends primarily on the Governments' policy with regard to imports of third-country coal and to oil, and on the subsidies forthcoming for indigenous coal. In the absence of any definite programme or detailed information from the Governments in this respect, the High Authority has so far been obliged to confine itself to preparatory studies on various aspects; on a more general plane, it has submitted a memorandum on the energy outlook. ⁽²⁾

⁽¹⁾ Cf. subsection 4 below.

⁽²⁾ *Étude sur les Perspectives Énergétiques à Long Terme de la Communauté Européenne*, Luxembourg, 1962.

In the latter, an attempt is made to show how, given a reasonably likely general economic trend, different energy policies would work out on the Community energy supply position, and in particular on the level of coal production. The memorandum contains in effect a set of alternative hypotheses.

Meantime, the Governments adopted the Protocol of April 21, 1964, ⁽¹⁾ a first step towards a genuine energy policy: the broad outlines for such a policy were laid down, and the main implements for energy co-ordination established, including a Community procedure for State aids to the coalmining industry. In implementation of the Protocol, the High Authority has submitted a draft Decision on colliery subsidization to the Council under Article 95,1 of the Treaty. ⁽²⁾

This being so, the High Authority feels that, despite the difficulties involved, it must take the step of publishing General Objectives for coal in 1965. Consultations with experts representing the producers, workers and consumers and the Governments are to begin in the near future. On some points it will be necessary to hypothesize; here it will be for the High Authority, in consultation with those concerned, to select such hypotheses as, on weighing up all the circumstances, it finds the most reasonable and the most in line with the general interest.

Whatever the hypotheses thus adopted, the adjustment and rationalization of the coalmining industry must

⁽¹⁾ See *Journal Officiel des Communautés Européennes*, No. 69/1964.

⁽²⁾ Cf. subsection 4 below.

proceed, and an estimate will need to be formed of their impact on certain areas. Accordingly, the High Authority will devote particular attention to the regional implications of the General Objectives, endeavouring not only to forecast what form they will take, but also, and more especially, to make appropriate provision for dealing with them. For this purpose, it will establish the necessary contacts with experts and representative of the areas concerned.

It will not fail to keep the competent Committee of the European Parliament duly informed of progress in all these connections.

As regards the *General Objectives for steel*,⁽¹⁾ a preliminary memorandum reviewing the prospects and main problems of the Community iron and steel industry up to 1970 is due to come before the High Authority shortly. It can then serve as a basis for discussions with the expert committees; the High Authority will also be glad to explore the subject with the appropriate Committee of the Parliament. For steel too it is planned to issue the General Objectives for 1970 this year.

The questions to be dealt with in detail include

- (a) the influence of the rate and forms of economic growth on the level of business in the iron and steel industry;
- (b) the influence of technological progress on specific consumption of steel;

⁽¹⁾ Cf. subsection 5 below.

- (c) the role of the iron and steel industry as a propellant in economic growth;
- (d) the Community iron and steel industry in the world market.

With regard to (d), it should be noted that the industry's position in the world's markets will depend increasingly on its and its competitors' respective selling prices. Accordingly, a study will have to be made of comparative production conditions (taking into account the means of action open to the High Authority) and of the pricing methods used in the competing countries. Under the first head, points requiring very careful analysis will include raw-material supply costs, speed of wider adoption of new techniques devised, capital costs, and comparative productivity of different types of plant and equipment, one aim being to determine the main reasons for the difference in productivity between the Community steelworks and the steelworks of other countries such as the United States. Alongside this, a study must be made of the principal competing countries' home and export pricing systems. For the purposes of these investigations it will be necessary to establish or intensify contact with certain non-member countries.

EXTERNAL RELATIONS AND COMMERCIAL POLICY

3. The extent to which developments in the world market are liable to affect the operation of the Common Market for coal and steel is now such that external rela-

tions and commercial policy, which figure in the Treaty of Paris more or less as side issues, must here be discussed in direct connection with the foregoing section, relating to the outlook for the Community industries.

The High Authority will need to establish closer *relations with other parts of the world* trading in Treaty products. This, it has been made clear, is also the desire of the third countries in question, both in and outside Europe. The existing Agreement of Association between Britain and the Community offers a ready-made basis for working up a fuller relationship. Links with the other European countries, notably Austria, have been tightened, and so too have those with the Americas; indeed, in view of the interest taken in E.C.S.C. by the Latin American countries, the High Authority has established an E.C.S.C. liaison and technical information office in Santiago de Chile. Careful attention will also have to be devoted to developments in other parts of the world, and especially in the major steel-producing and exporting countries.

Closer relations with these outside countries, and the resulting better information on trends in the world market, are essential if the questions at issue — especially as concerns the iron and steel industry — are to be correctly assessed in the perspective of world developments and the structural changes ensuing. Moreover, one aim in building up this network of international relations must be to foster all elements likely to help gradually bring about some harmonization of competitive conditions in international trade. The same object must also be pursued in the Kennedy talks (in connection, for example, with such matters as the dumping problem), and in O.E.C.D.

Special attention must go to the question of *relations with the emergent countries*. Quite a number of these are becoming larger and larger suppliers of raw materials, and more particularly of ores. Furthermore, their economic development is of interest because it offers prospects of increased outlets for various Community products. It would, however, be unrealistic to assume that the better-placed among them will not set up steel industries of their own as soon as they can. Hence, for the sake of a smoothly-functioning world market, it is important to settle how conflicts of interests can be avoided or eliminated. The High Authority must play its part in working out suitable arrangements and making these known to all concerned.

Over and above these general aspects of external relations, the High Authority must consider the Community's *tariff and para-tariff policy*. Despite the Treaty's shortcomings in this particular respect, the High Authority is determined to leave no stone unturned to develop a common commercial policy.

In the last year the first foundations for such a policy have been laid. Under pressure of circumstances, it was possible to induce the Governments to co-ordinate their policies on imports of pig-iron and steel from Eastern Europe; the agreements then concluded in the Council of Ministers, which expired at the end of 1964, have in the meantime been extended for a further year, with the necessary alterations.

As regards import duties on iron and steel products, events have resulted in the charging, at the High Authority's recommendation, of practically the same rates by all

member countries until further notice, with the sole exception of the handful of items bound under GATT. The aim must now be to convert this *ad hoc* unification through the **Kennedy negotiations** into a regular, permanent unified tariff.

In view of this, it was a success of the highest importance when the member States' unanimous agreement was secured, in November 1964, to a common negotiating tariff for Geneva, the High Authority to act as spokesman for the Governments in the negotiations. The Community's constant object will be to bring the major producer and/or exporter countries' rates of duty much closer together at a moderate, but still effective, level. Since E.C.S.C. itself at the very outset lowered its duties substantially, it is entitled to expect that due credit for this will be given in the present negotiations.

In the coal sector tariff and para-tariff arrangements still vary widely from one member country to another. However, the Kennedy Round is an occasion calculated to produce a more united approach; it has already impelled the member States to co-ordinate their positions *vis-à-vis* the other contracting parties to GATT. In addition, the implementation of the Energy Protocol, dealt with in the following pages, will notably assist the lining-up of import policies.

COAL POLICY AS PART OF A COMMON ENERGY POLICY

4. The **Protocol**⁽¹⁾ just referred to lays down the broad outlines of a programme on energy, the Governments stat-

(1) See *Journal Officiel des Communautés Européennes*, No. 69/1964.

ing their intention of adopting a common line with regard to

- (a) commercial and outside-procurements policy;
- (b) State subsidization;
- (c) rules and conditions of competition in respect of the different energy sources.

The High Authority's plan of action in the coal sector consists principally in preparing the General Objectives as described in subsection 2 above, and carrying out the terms of the Protocol.

In the first place, this will involve taking steps without delay to organize the system of ***consultation among the six Governments*** provided for by Article 10 of the Protocol in connection with individual national measures concerning the coal sector. The High Authority attaches the greatest importance to these consultations, ⁽¹⁾ which should culminate in a concerted import policy on the part of the main coal-producing countries, pending the establishment of a common commercial policy.

As a basis for the consultations, full and up-to-date energy balance-sheets are required. It being one of the High Authority's particular functions — especially in the present energy situation — to keep a watch on market developments, it compiled a summary balance-sheet at the end of 1964 giving a quick sketch of developments in that

(1) The German Federal Government recently initiated preliminaries in this connection.

year and prospects in the coming year; this is to be followed early in 1965 by a detailed account of the position, issued as one of the regular series of yearly energy balance-sheets.

Article 11 of the Protocol requires the High Authority to prepare a draft **Community procedure for State aids**. The main elements for this procedure have been outlined in a draft Decision, which has been before the Consultative Committee and the Council, in accordance with Article 95, 1 of the Treaty, following a succession of bilateral contacts with the Governments and the industrial circles concerned. When this is adopted, work can begin on the assembling of the prescribed information, concerning such matters as the amount of State contributions to social security, and on fixing the practical details of the procedure to be employed in examining the cases coming before the High Authority. The organization and development of these examination proceedings will be an important task for later on.

As regards the study on Community **supplies of coking coal** required by Article 12 of the Protocol, the first stage has now been completed, but the most sensitive evaluation is needed, coupled with further investigation of a number of aspects, which must be expected to take some time.

While the Protocol is an important milestone, it is nevertheless only one milestone among others on the way to a common energy policy. Further miles need to be covered, with due regard for the probability of still faster changes in the pattern of the European energy market.

Accordingly, the first step must be, in co-operation with the other Executives, to ascertain more accurately the implications for Community coal of the potential competition from natural gas. It is planned also to bring up to date the 1962 memorandum on the long-term energy outlook, ⁽¹⁾ in order to have a clear picture of recent developments regarding such long-range factors as competition from fuel oil and natural gas and the prospects for nuclear energy.

In this way the High Authority hopes to lay the basis for practical progress towards its ultimate objective, the establishment of a Common Market for energy.

In addition to these points connected with the institution of an energy policy, mention must be made of various other aspects having to do more specifically with the coal sector, some of which are of particular relevance for the preparation of the General Objectives. ⁽²⁾

The great problem remains, how to secure a major increase in the *Community collieries' productivity* coupled with a major reduction in their costs. Improvements to orthodox coalwinning methods are not enough in themselves; new methods will need to be devised and introduced on a large scale to enable the collieries to compete at less of a disadvantage. It will be up to the High Authority to sponsor the appropriate studies to enable progress to be made in this direction.

⁽¹⁾ Just reissued, together with all its annexes, by the High Authority.

⁽²⁾ Cf. subsection 2 above.

The industry should also, with High Authority assistance, examine what can be done to make Community coal production more adjustable to changes in demand, and what such measures are likely to cost. The two points to be particularly concentrated on would be,

- (a) by what means, and to what extent, can production be matched to temporary or fortuitous variations in demand?
- (b) how far can it be matched to longer-term changes in demand by closing some collieries temporarily or reducing their output to a minimum?

With regard to the *marketing and utilization of coal*, the High Authority must make a push, in accordance with Article 57 of the Treaty, to arrange for closer co-operation with the Governments with a view to regulating or influencing general consumption, particularly in the public services.

In view of the tremendous expansion and technological progress in electricity production, one question particularly worth going into would be what part coal can play in the future in the basic fuelling of the thermal power-stations and, as nuclear energy comes more to the fore, in the fuelling of standby stations.

Also, the High Authority would do well to study with producers and consumers what action can be taken to increase sales of Community coal, more especially to the other big consumer sectors; it must promote and assist all technical research and improvement conducing to better utilization of coal.

In addition, if necessary with the aid of fundamental research, it must further all advances in fuel efficiency calculated to open up new outlets for coal or enable it to be used for new purposes.

The problem of *rules of competition* for the different energy sources cannot be satisfactorily disposed of until the divergent provisions of the Treaties are lined up. It should be borne in mind, incidentally, that the irregular behaviour of prices in the fuel-oil market, which has latterly been even more marked than usual, is serving still further to undermine the position of coal *vis-à-vis* its competitors. It is the High Authority's duty to draw attention to this most unsatisfactory state of affairs.

ACTION CONCERNING STEEL

5. High Authority and other studies have made it clear that the surplus in the world steel market must be expected to persist for several years. Consequently, renewed strong pressure on prices is liable to develop the moment there is a slackening in business activity. Provision must therefore be made against such a contingency. Internally, the following points have to be considered.

- (a) It was found in 1963 that, even where production was not sold at prices directly aligned on quotations from third countries, the Community *price level* was largely determined by the schedules of a number of small firms which had slashed their prices under pressure of imports. If the market were to ease once more, there would doubtless be

a widespread recrudescence of alignment on third-country offers. The problem has thus to be faced of the influence of the marginal world price on the level of internal Common Market prices.

- (b) Directly, the High Authority can keep check only on the enterprises actually covered by the Treaty, that is, the producers themselves; indirectly, through them, it can also obtain access to the books of middlemen acting for them. At present, however, it is not entitled to carry out spot-checks on consumers and dealers. Talks are in progress with the Governments with a view to making their activities also subject to inspection. Similarly, the Treaty does not cover sales *ex* merchants' warehouse — another deficiency calling for remedial action.

The ***supply-and-demand position*** in the steel market is especially erratic, owing to stock changes and to the effects of conditions in the world steel market. Since given the present overcapacity and the level which steel consumption has reached meantime, fluctuations are liable to be extremely marked, the High Authority's quarterly "programmes with forecasts" should furnish fuller particulars as to the development of market disturbances. Information should be provided, not only for the Community as a whole but for each individual country, concerning the movement of steel consumption and of stocks, and an analysis offered of variations in delivery dates and the effects of these. Appropriate indications in the programmes could help to lessen the disturbances occurring in the Common Market following short-term fluctuations in imports and exports.

On the *structural problems* of the Community iron and steel industry — relating both to the market and to the long-term production trend, and hence relevant also for the purpose of the General Objectives ⁽¹⁾ — the following points should be noted.

- (a) Rolling schedules at Community plants are mostly made up of short and very short runs, which is a disadvantage in competition with outside, more particularly American and Russian, producers. The High Authority must devote special attention in this connection to the function of the trade, to the role of the rerolling firms, and to the need for a reduction in the present unduly large number of different sections and sizes and for greater specialization on the part of producer enterprises.
- (b) Work must continue actively on the establishment of the European standards, known as Euronorms, begun by the High Authority to create a common technico-economic language. The adoption of the Euronorms in the steel trade would appreciably increase the transparency of the Common Market.
- (c) The imposition of a specific duty of \$7.00 per ton on foundry pig-iron, to run up to the end of 1965, was a measure affording the indigenous producers temporary protection to enable the necessary reconstruction to be effected in this sector. The High Authority is examining the rationalizations in question with those concerned, and making sure that they are in accordance with the Treaty.

⁽¹⁾ Cf. subsection 2 above.

The relative shrinkage in *steel consumption* as compared with overall industrial production is due partly to decelerating expansion in the sectors consuming the largest amounts of steel, and partly to the scaling-down of specific consumption. There are, however, other sectors offering openings for the more extensive use of steel. The Steel Utilization Congress convened by the High Authority in October 1964 was aimed at encouraging the employment of steel in building and constructional work. Its proceedings are to be published in order to ensure the widest possible impact, and in view of the success of the occasion the High Authority is planning a second Congress, focused on steel processing, for October 1965, and considering ways and means of organizing regular meetings of specialists from the production and the utilization sides. For its own part, it will be promoting increased consumption of steel by aiding technical and economic research on new uses for the metal.

In this connection it may also be noted that the regulations in force concerning the employment of steel, for instance in building, vary from country to country. Though the High Authority has no direct powers in this regard, it will have to take up the question of the lining-up of the different systems, and also of their amendment on a number of points, to ensure that the use of steel on up-to-date lines is not hamstrung by inappropriate administrative rules.

Of the *raw materials*, scrap presents no particular supply problems at the moment; nevertheless, it is necessary to keep a careful eye on the state of the scrap market to prevent any sudden complications from arising.

The increasing substitution of imported for indigenous iron ore is involving a number of orefields in more and more serious difficulties. This poses a variety of problems, including

- (a) the need to rationalize internal ore production and to encourage the consumption of Community ore by improved preparation and treatment;
- (b) the social and economic implications of closures of Community mines;
- (c) considerations of security of supply (better-proportioned Community participation in overseas ore-mining projects might make for a rather more balanced position in this regard).

READAPTATION AND REDEVELOPMENT

6. The changes in the industrial structure since the Community's inception have led to very extensive shifts in the labour force. The number of workers on the coal industry's books ⁽¹⁾ has fallen from over 900,000 to 600,000 in seven years; in the iron-ore industry, though the contraction was slower to start with, it has become more marked in the last two or three years, and is certainly nothing like over; the number of workers is down to 30,000, from 51,500 at the end of 1957. Where economic expansion enables the redundant manpower to be reabsorbed, the impact of these changes can be effectively cushioned by

(1) Underground and surface.

readaptation measures (that is, payment of tide-over allowances, provision of occupational retraining, and so on), but where the changes mean the economic decay of a whole area it becomes necessary to institute full-scale ***industrial redevelopment***. Accordingly, there have been more and more calls on E.C.S.C.'s assistance for this purpose, first in Belgium and France, and later also in Italy and Germany, and the High Authority must expect a further appreciable increase in the number of applications for its help.

In view of this, it is planning to introduce a more systematic policy in place of its previous practice of acting as and when necessary. The Governments are fully alive to the value of co-operation both on preparatory studies and on the redevelopment schemes themselves. The Committee of Government Redevelopment Experts, has been set up to ensure the requisite continuity and co-ordination of this co-operation; there is also a joint High Authority/E.E.C. Commission/European Investment Bank working party, so that the High Authority can be assured that action by it outside the sectors directly under its jurisdiction will conform with the provisions of the Treaty of Rome.

The object is now, on the basis of the experience gained,

- (a) to follow carefully the course of socio-economic developments in the coalmining and steel-producing areas, in order to be able to plan ahead as far as possible and to get redevelopment operations under way in good time;

- (b) to systematize certain decisions fundamental to successful redevelopment, concerning in particular the location and equipment of industrial estates and the balanced combination of activities in them;
- (c) to assess the merits of the different types of organization for promoting redevelopment schemes;
- (d) to find out more about successful past arrangements in connection with redevelopment, as for instance the employment of modern, industrialized building (pre-built premises, rent or rent-purchase of factories, and so on).

It remains to find ways and means of mobilizing an adequate reserve of funds for redevelopment purposes to be re-lent on easy terms as regards both redemption and interest.

One of the effects of streamlining the High Authority's action on these lines will be to increase the number of applications for assistance, which will make it possible to pick and choose among various possible projects. Priority will need to be given to those in industries with a high added value, which will create as attractive jobs as possible for workers previously earning relatively high wages. Special efforts should be made to secure the establishment of steel-consuming industries, in order at the same time to provide new or expanded sales outlets for the steelmaking enterprises.

Needless to say, this increased attention to redevelopment will in no way detract from the importance of **read-aptation**: on the contrary, the occupational retraining

of workers affected by the personnel cuts in the traditional industries is a vital element in the successful establishment of new activities. Here too, therefore, the High Authority must streamline and improve its methods in preparation for action on a wider front in co-operation with the national authorities.

OTHER SOCIAL QUESTIONS

7. As well as diversifying, broadening and expediting its work of assembling and disseminating information on wages and living and working conditions in the Community, the High Authority hopes to extend the functions of the *Joint Committees* of employers and workers, requiring them not merely to consider the data in question side by side, but to compare and contrast them in detail and discuss their implications.

With regard to the *status of mining as an occupation*, the High Authority would emphasize that it is of crucial importance to the coal industry's whole future to possess a highly skilled and stable labour force. For this reason, it is becoming more and more essential to take the proper steps to make mining an attractive job to stay in or to start on. The High Authority has already taken its stand on this point. It now proposes to make still more intensive efforts to secure agreement among those concerned on the elements of a Miners' Charter; it feels certain that this will be easier once the Special Council of Ministers has adopted the draft Decision on colliery subsidization. ⁽¹⁾

(1) See subsection 4 above.

Having regard to the *training* problems raised by technological progress in general, and automation in particular, it will be necessary to organize fuller and more frequent exchanges of experience, and to go most carefully into the details of the new methods. It is planned to set up a committee of highly qualified experts to advise the High Authority on the social implications of technological progress and automation.

The radical changes going on in the pattern of *employment* will also need continuous study, with special reference to the position of the over-40s. The preponderance in the personnel structure is steadily shifting away from the manual towards the white-collar jobs. The High Authority will need to assemble information on the living and working conditions of both categories, and to engage in further studies in order to pinpoint the problems which this process is raising.

A whole series of economic, technical and, in particular, social problems are posed by the setting-up of iron and steel plants in coastal areas. The High Authority intends to conduct a comprehensive survey designed to elicit precise details of these problems and what they involve for the workers, for the benefit of all concerned.

Since the E.C.S.C. industries employ very large numbers of *migrant workers*, the High Authority plans to carry out a study on the problems arising in connection with the recruitment and terms of employment of these men, and also to examine the social-security arrangements relating to them; on the basis of the findings on the latter proposals will be drawn up as to possible improvements.

Questions of *industrial safety* in the coal industry are handled partly by the Mines Safety Commission and partly, in the general E.C.S.C. context, by the High Authority's own departments. The High Authority's proposal that the Commission's terms of reference should be extended to cover the iron-ore mines and to include industrial health and medicine is still pending before the Special Council of Ministers.

In addition, the High Authority has just agreed that a General Commission should be set up on safety in the iron and steel industry, to start work, it is hoped, at an early date.

It will also be necessary to institute further safety research and study programmes, and to step up exchanges of experience.

With regard to *industrial medicine*, new research programmes will need to be organized, more especially on diseases and conditions induced by occupational hazards and by the psycho-physiological stresses resulting from technological progress. Also, a vigorous drive must be made to see that the results of completed research projects are circulated to all concerned (doctors, engineers, workers).

Finally, as regards *workers' housing*, the latest surveys confirm that there is still a shortage of decent low-rent accommodation. The High Authority is planning in the near future to part-finance its sixth building scheme.

INVESTMENT AND RESEARCH

8. As well as lending towards the housing projects just referred to, the High Authority will go ahead with its work in the field of *industrial investment*. Loans raised by it in 1964 reached the record total of over \$ 125,000,000, enabling it to increase its relending activities accordingly.

In conjunction with the drafting of the new General Objectives, ⁽¹⁾ it will need to establish clearer priorities as to the capital projects submitted to it, in order to emphasize the desirability of increased investment in particular branches, such as sinter plants and oxygen steelworks.

The High Authority is devoting particular thought to *research policy*. Progress in industry is coming to depend more and more on the state of technical and scientific knowledge and the speed with which that knowledge is applied in practice. The public authorities in every country are encouraging technical research, and usually sponsoring and part-financing it.

The E.C.S.C. Treaty requires the High Authority to “encourage technical and economic research concerning the production and the development of consumption of coal and steel, as well as workers’ safety in these industries,” and to this end to “organize all appropriate contacts among existing research organizations”. ⁽²⁾

⁽¹⁾ See subsection 2 above.

⁽²⁾ Cf. the High Authority’s reply to written Parliamentary Question No. 100, tabled by Sig. Pedini and Signora Gennai-Tonietti.

Realizing as it does that research is absolutely essential in the pursuit of the Treaty's fundamental objectives, the High Authority is determined to make the fullest possible use of all the opportunities afforded it in this direction. The research policy laid down in 1963 is to be reviewed in the light of the new General Objectives for coal and steel; the findings of the Steel Utilization Congress also include points on which further research would be well worth while.

Up to now, High Authority assistance has gone mainly to technical (applied) research; it is now, however, felt to be advisable to consider also how far funds could suitably be made available for general scientific (pure) research, provided this is of a nature to contribute to practical technical progress.

The High Authority recently submitted a study on improvements in American mining methods, containing much valuable information which might be taken into consideration in fixing the criteria to be adopted in the selection of research projects deserving encouragement. Mention should also be made of the very helpful exchanges of information and experience on colliery mechanization which have taken place in the Council of Association between E.C.S.C. and Great Britain. In view of the impressively high standard of American steelmaking technology, and the spectacular rise of the Japanese industry, the High Authority may well decide to conduct similar studies on the steel side.

More generally, the immense strides being made in production techniques clearly reveal that still more must

be done to co-ordinate the research work of the various national establishments.

CARTELS AND CONCENTRATIONS

9. In the field of cartels and concentrations, the High Authority acts in the first instance in response to applications by enterprises or to complaints by those affected; it also intervenes on its own initiative where concrete cases come to its knowledge, and in addition carries out any necessary inspections to ensure compliance with the terms of the Treaty and of its own Decision authorizing the cartel or concentration in question. However, this is not the place to go into details of these activities, since we are here concerned to give an account of forward policy.

The High Authority intends, then, in its regular day-to-day work in this connection to continue to take full account of

- (a) the general trend and structural changes in the Common Market;
- (b) the conclusions emerging from the case law of the Court of Justice;
- (c) the European Parliament's suggestions for making use of its (the High Authority's) entitlement to include in its authorizations clauses calculated to ensure the maintenance of the degree of competition which the Treaty enjoins.

Proposals will also need to be drawn up for the amendment of the Decision allowing certain types of concentration *exemption from compulsory prior authorization*,

in order suitably to increase the reference tonnages of coal or steel consumption laid down for vertical concentrations. One problem is the procedure to be followed for cumulative small-scale concentrations, as where a wholesale firm concentrates with a whole series of small dealers one after the other. It is now being considered whether such cases might be exempt but made declarable; by this means it would at least be possible to keep track of concentrations of this kind, pending a further remodelling of the reference basis.

The increase which has been observable for some time in the number of *long-term delivery and supply contracts*, mainly for semi-finished steel products, suggests the need to examine whether, to what extent and under what Treaty provisions such contracts could and should be made declarable.

Finally, a number of more general studies will need to be carried on, outstanding among which is *market analysis*. For the Community industries this has mostly been done; the elements for international comparison in the study made by the High Authority for the Parliament ⁽¹⁾ should now be expanded and supplemented by special studies on the iron and steel industries of the world's main trading countries.

In the course of these investigations, it may very well be possible to obtain material which, used with discernment, might shed light on the difficult questions of the

⁽¹⁾ See *Bulletin de la C.E.C.A.*, No. 47, April 1964.

optimum size of plants, enterprises and combines (Konzerne), recently vented on a number of occasions, especially in the European Parliament.

For discussion to be really to the point, this question needs to be carefully divided into its component elements, as otherwise serious misunderstandings can arise. Thus we have to differentiate between

- (a) optimum size of production unit;
- (b) optimum size of enterprises and concentrations of enterprises;
- (c) optimum planning of other types of co-ordination among enterprises, *e. g.* specialization agreements;
- (d) aspects relating not actually to enterprise size as such, but to the financial basis and to extension of potential for raising capital.

While the High Authority can influence developments in this connection only indirectly, optimum size of enterprises and concentrations is of importance to it in the general context of what constitutes desirable enterprise and market structures, particularly as compared with the position in the rest of the world. Detailed studies of this kind can, moreover, afford useful guidance to the enterprises and concentrations themselves in taking their decisions and in appraising their competitive capacity.

TRANSPORT

10. Experience has shown that, if the Common Market for coal and steel is to function properly, it is essential

that all concerned should abide by the Treaty's rules on transport, firstly because of the very high incidence of freight charges in the delivered prices of the products, and secondly for the sake of the Treaty's other rules on the operation of the Common Market, notably Article 60.

To achieve its aims in full, it is necessary for the High Authority to press ahead more especially in the following areas.

As regards *market transparency in the transport field*, it will have to induce the six Governments to proceed to the full and effective enforcement of its Recommendation No. 1/61 ⁽¹⁾ in respect of all modes of transport. All the legal facilities afforded it by the Treaty will be brought to bear to this end. As the Recommendation recalls, the member States are definitely obliged by the Treaty to ensure publication of rates and conditions of carriage in such a way as to enable Article 70 to be effectively implemented and the Common Market to operate correctly in accordance with the requirements of Article 60.

One effect of proper publication of road-haulage and inland water-transport rates and conditions (including those for Rhine river transport) will be to enable the High Authority to do more to detect and eliminate *discriminations*. This is particularly desirable in the case of inland water-transport, where the situation is exceptionally confused owing to the simultaneous existence of regulated tariffs for traffic within the member States' territories and unrestricted rates for international carriage.

⁽¹⁾ See *Journal Officiel des Communautés* No. 18/1961.

The High Authority will make every effort, as Recommendation No. 1/61 is brought into force, to secure the introduction of ***international road and water through-rates***. At its instance, the French and German Governments are already in negotiation for the establishment of the former.

Continued efforts will also have to be made for the ***harmonization of rates and conditions of carriage*** within each of the modes of transport to the extent necessary to the smooth functioning of the Common Market.

In these various endeavours it will be necessary, while carefully observing the requirements of the E.C.S.C. Treaty — especially as regards publication of rates and conditions of carriage — to work in close liaison with the E.E.C. Commission under the co-operation agreement concluded for the purpose.

CONCLUSION

The central theme emerging from the High Authority's action programme is that of steadily-advancing adjustment of the E.C.S.C. industries to the changed conditions in a Community-wide market that is becoming more and more caught up in the compass of the world economy. The implications of this policy of adjustment are twofold. First, there is acceptance of a necessary trend, made inevitable by technological progress, towards larger production units and larger markets, indeed larger economic areas altogether. Secondly, the trend is not merely accepted, in a purely passive sense, but channelled in accordance with the best interests both of the Community and of its component regions, and in harmony with the development of the world economy as a whole.

Economic and institutional experience both serve to make clear that this adjustment must be a steady, deliberate process based on Community measures and arrangements under common Institutions. For although the lifting of national barriers is of course a precondition for a unified European economy, it has been found to be far

from enough in itself. The stimulant afforded by the pooling of Community resources and by third-country competition is not always sufficient to ensure technological advance and intelligent planning of investment, nor, in particular, does it do anything to obviate the risk of abrupt changes in set-up leading to serious difficulties in particular industries or particular areas. Above and beyond these problems of investment, of regional and social policy, or redevelopment and readaptation, the situation has successively called for a common commercial policy, a common policy on competition, a common energy policy, a common research policy, geared to the needs of the twentieth century.

Thus the High Authority's twelve years of experience and its action programme for the future form a continuous progression towards a greater and longer-term objective, which will in any event have to be accepted when the Communities are merged. On the agricultural side common policy is taking shape; on the industrial side the implementation of the E.C.S.C. Treaty has prepared the way for the establishment of a Community-wide industrial market.

