

EUROPEAN COAL
AND STEEL COMMUNITY
THE HIGH AUTHORITY

REPORT ON THE ACTIVITIES OF THE HIGH AUTHORITY

TO BE LAID BEFORE THE EXTRAORDINARY SESSION OF THE
COMMON ASSEMBLY

Luxembourg - November 1955

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I N T R O D U C T I O N

1. The Assembly of the European Coal and Steel Community is meeting in Extraordinary Session on November 22, 1955, as proposed by the new President of the High Authority at the Ordinary Session in May-June 1955.

While not anticipating the Annual General Report, which will be submitted to the Assembly in April 1956 and discussed by it in May, this report on the activities of the Community outlines the situation in the Common Market in the late autumn of 1955 and the main action taken by the High Authority since the last Session.

2. The so-called transition period, which constitutes the first stage in the operation of the Common Market, the period of measures "progressively adapting production to the new conditions which will obtain," is now past the half-way mark. It is important to gauge exactly what has been achieved, as well as to realize what still remains to be done.

During 1955, the Common Market was put to the test by an unprecedented economic expansion. We shall examine the manner in which it stood up to this, the supply problems now facing it, the movements of prices, and the action which had to be taken, and shall endeavour to show, by comparison with the past, the results which are now emerging in consequence of the introduction of a large and regulated market.

The High Authority's function is not, however, merely to establish the Common Market and supervise its operation under all types of economic conditions. It has also to take an overall long-term view on economic expansion, the development of employment, and the raising of the standard of living, and to make its contribution to progress, in harmony with the general economy of the member States, keeping in mind the economic and social objectives laid down for it.

The first general objectives concerning modernization, long-term planning of production and expansion of production capacities have been defined and published. The first loan of one hundred million dollars, intended for the financing of industrial investments, has been followed up by loans for the financing of workers' housing. Rules requiring prior declaration of investments have been applied. The various measures relating more particularly to living and working conditions in the industries of the Community have been further pursued.

3. The three chapters into which this report is divided deal with:

I.- Development of the Common Market (Nos. 4-70)

Section 1 : The Trend in Demand:

- Steel (No. 8)
- Coal (Nos. 10-11)
- Iron Ore (No. 12)
- Scrap (No. 13)

Section 2 : The Trend in Production:

- Steel (Nos. 15-21)
- Coal (Nos. 22-23)
- Iron Ore (No. 24)
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Section 3 : The Operation of the Common Market:

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Section 4 : The Common Market and Third Countries:

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III.-Improvement of Living and Working Conditions (Nos. 82-98)

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CHAPTER ONE

DEVELOPMENT OF THE COMMON MARKET

4.- 1955 saw the Common Market enter upon its third year. Since it was introduced in the spring of 1953, it has gone through three separate phases in the general economic situation : a recession, a vigorous revival, and finally stabilization at a high level.

5.- 1953 and the beginning of 1954 were characterized in the Community, as in most Western countries, by a recession of varying degrees of severity. The industrial-production index for the Community countries as a whole (1950 = 100) dropped from 130 in November 1952 to 121 in the first quarter of 1953.

The coalmining and iron and steel industries, forming as they do a very important sector of general economic activity and being both of them sensitive to fluctuations in the economic situation, were naturally affected by this development.

There was an appreciable falling-off in the new orders per month booked by the iron and steel industry, so much so that orders on the books fell from over 12 000 000 metric tons at the end of 1952 to under 6 000 000 at the end of 1953. Crude-steel production dropped from 3 700 000 metric tons per month for the last quarter of 1952 to 3 300 000 for the corresponding period in 1953.

As a result of the inelasticity of production which is a feature of the coalmining industry, the decline in hard-coal extraction was very slight, 237m. metric tons in 1953 as against 239m. in 1952. The drop in demand caused pithead stocks to increase, despite the introduction of off-days in most of the Community coalfields.

Notwithstanding this unfavourable economic situation, the Common Market had begun to show its first results. Thus, poor sales in the steel market impelled steel producers to explore the possibilities provided by those areas of the Community where demand was still comparatively brisk chiefly in Germany, the Netherlands and Italy, which countries had been less affected by the general tendency towards a recession. The increased trade in iron and steel products shows that they were successful, owing to the fact that they were no longer running up against the obstacles by means of which the various countries had in the past sought to safeguard their own home markets at such times. This stepping-up of trade unquestionably helped to check the recession, which could easily have snowballed in classic fashion into a full-scale crisis.

In the coal market, in spite of the general decline in demand, trade between the Community countries increased directly after the introduction of the Common Market, in consequence of the disappearance of the biggest obstacles to trade and the establishment of mutual-assistance schemes. This enabled the piling-up of stocks in coalfields where demand was particularly low to be kept within bounds (1).

(1) See Second General Report of the High Authority, April 1954.

6.- From the second quarter of 1954 onwards, a general improvement in the economic situation became observable in all the countries of the Community, brought about by the upward trend in the building trade, the industries producing capital goods, and the motor industry. The industrial-production index rose once more to 141 in May 1954, and reached 152 at the end of the year.

This revival of economic activity in the Community countries coincided with a decline in the United States. This is worth emphasizing, in view of the violent repercussions which slumps in the American economy always used to have on the national economies of Europe.

In the steel market, demand rose rapidly. New orders increased first of all in Germany and Italy, where the recession had been comparatively slight. The increase there was mainly in home demand. Gradually, however, the trend became general, and the other Community countries found not only home and third-country demand rising, but also, more and more, demand from other countries of the Community. Orders came in faster in France with the Saar, Belgium and the Netherlands, particularly from the German Federal Republic. As new orders booked came to be in excess of deliveries by the works, orders on the books rose from 5 600 000 metric tons at the end of the first quarter of 1954 to nearly 12 000 000 by the end of the year. The increase in demand was followed, after a certain time-lag, by an increase in production. In the last quarter of 1954, iron and steel production was over 4 000 000 metric tons per month, well above the previous record figure of 3 700 000 per month for the last quarter of 1952.

The recovery in general economic activity, and more particularly the trend in the iron and steel sector, had a very appreciable effect on the demand for coal. Parallel with the increase in production, pithead stocks began to decrease from September 1954 onwards. By the end of the year, they were down by 2 500 000 metric tons.

As has already been remarked, the impetus behind this economic recovery came from outside the industries of the Common Market. Nevertheless, it would appear that the abolition of the principal obstacles to the movement of products within the Common Market helped materially to make its effects generally felt, first in regard to steel and then to coal also. Trade, after increasing considerably even during the bad period of 1953, rose steadily throughout 1954. The reason was that the Common Market enabled consumers to order from producers in areas where supply was still fairly elastic as a result of coal stocks being available or iron and steel production capacity not fully utilized.

From the quantitative angle, therefore, the Common Market has twice, at two separate phases in the economic situation, been a factor making for a better overall balancing of resources and requirements and a better harmonization of trade.

The same factor may be found at work in regard to prices. It is the first time in several decades that such a marked expansion in the iron and steel industry has taken place under a price-system with which the authorities cannot directly interfere. The interpenetration and increasing transparency of the markets brought about by the application of rules concerning the publication of prices and conditions of sale, and by the prohibition of discriminatory practices among both producers and consumers, had the effect that the level of prices did not alter very much in 1954. In the old days at such times, prices in the steel market used positively to rocket. The last time this happened was not so long ago: it was during the Korean boom of 1951-52, when certain consumers now belonging to the Community found that prices more than doubled in the space of twelve months. The reason why the volume of new orders swelled unduly about the end of 1954 was, incidentally, that the consumers reacted in traditional fashion, expecting a considerable rise in prices and covering themselves by means of orders which did

not represent their real requirements.

Prices in the coal market have likewise remained fairly steady. The High Authority, in any case, fixed maximum prices for the two biggest coalfields of the Community at the beginning of the coal campaign of 1954-55.

To sum up the experience gained during the first two years of the Common Market, it was clear that, at any rate so far as short-term developments were concerned, the results were pretty well exactly those which had been expected from the broadening of the market and the application of rules on competition.

As to the long-term effects, which must be considered essentially in terms of improved productivity and distribution, they too are beginning to emerge, as may be seen from a study of developments in the Common Market during 1955. But the long-term effects of a large market cannot, in the nature of things, become fully evident in a mere two or three years -- particularly as for the last forty or fifty years the industries now included in the Common Market were generally covered by a system of protective tariffs, the disastrous consequences of which cannot be done away with in a period less than one-tenth of the time it has taken to realize that they ought to go. Again, we must always bear in mind that this first European Common Market represents only partial economic integration. A considerable portion of the economic circuit from the coal or steel producer to the consumer of industrial products is not bound by the rules of the Common Market, but is still governed by whatever economic policy is followed by the different countries. Thus it is possible that advantages gained in the Common Market are being lost as the products pass through the various channels of the national markets.

7.- The general economic trend in 1955 was one of very marked expansion, maintained by the same motive force as was behind the original recovery in the spring of 1954 -- increased activity in the building trade, the capital-goods industry and the motor industry, and increased exports of industrial manufactures.

The industrial-production index for the Community countries as a whole stands on the average at 151 for the first nine months of 1955, as against 135 for the corresponding period in 1954, i.e. an increase of 12 %.

At the beginning of 1955, however, the Common Market for steel entered on a new phase, which may be described as a stabilization of the economic situation at a high level. The coal market, on the other hand, continued tight.

In our analysis of developments in the Common Market during 1955, it is proposed to study in turn the trend in demand, the trend in production, the operation of the Common Market, and the development of relations between the Common Market and outside markets.

Section 1: THE TREND IN DEMAND

8. - Demand in the steel market.- The iron and steel industry of the Community began 1955 with orders totalling something like 12m. metric tons on the books. New orders for rolled products booked in December 1954 were for over 4m. metric tons, while deliveries were below 3m.

The beginning of 1955 saw an appreciable drop in the volume of new orders, which were down to 3 500 000 metric tons in January and 3 400 000 in February and March. From the second quarter onwards, a tendency towards stabilization became apparent: up to September, bookings fluctuated only slightly, between 3 100 000 and 3 200 000 metric tons. They increased once more in October, the tonnage for which was the same as that in the first quarter, 3 500 000 metric tons.

At the same time, deliveries continued to increase up to the end of the first quarter. They fell off in April, and became stabilized thereafter, apart from one peak in June, at about 3m. metric tons. The volume of orders on the books was, accordingly, increasing at a slower rate, and reached 13 400 000 metric tons in September.

The decline and subsequent stabilisation of the level of new orders should not, however, be taken as meaning a drop in real requirements. It was rather a stabilisation of the economic situation at a high level, as a result of two main factors.

Firstly, in view of their bulging order books and lengthening delivery dates, producers have been refusing new orders and going "off the market," in order not to exceed reasonable delivery dates.

Secondly, it would appear that, after the moderate rise in prices at the beginning of 1955, the tendency on the part of the consumers to cover themselves by means of extra orders, which until then had been resulting in an artificial inflation of demand, has now given place to a demand which more accurately represents real requirements.

The increase in orders in October 1955 seems likely to be due to seasonal trends, and probably also to the movements of steel prices in the world markets.

Comparison of the mean level of new orders for the first ten months of 1955 and for the same period in 1954 shows an increase of 11.4%, which corresponds approximately to the rate of increase in industrial production (+ 12%).

In regard to the sources of the new orders, we observe a more or less parallel trend in orders from the home markets and orders booked in each country from other Community countries- a drop in the first quarter, stabilization in the second and third quarters, and a renewed rise at the beginning of the fourth quarter.

Orders from third countries, after touching their lowest point in April, began to increase again in May and June, levelled off from July to September, and rose once more in October.

The trend in new orders booked is shown below.

SOURCES OF NEW ORDERS FOR ROLLED PRODUCTS (1)
(monthly averages in thousands of metric tons)

	Home markets	Other Community countries	Third countries	Total
<u>1954</u>				
4th qtr.	2 545	526	749	<u>3 820</u>
<u>1955</u>				
1st qtr.	2 384	434	635	<u>3 453</u>
2nd qtr.	2 229	416	539	<u>3 184</u>
3rd qtr.	2 165	425	577	<u>3 167</u>
October	2 392	436	644	<u>3 472</u>

Broken down by countries, the trend in new orders does not differ much from the general development, except in the Netherlands, where orders have been falling off steadily since the beginning of the year. Elsewhere, the only difference is a certain time-lag.

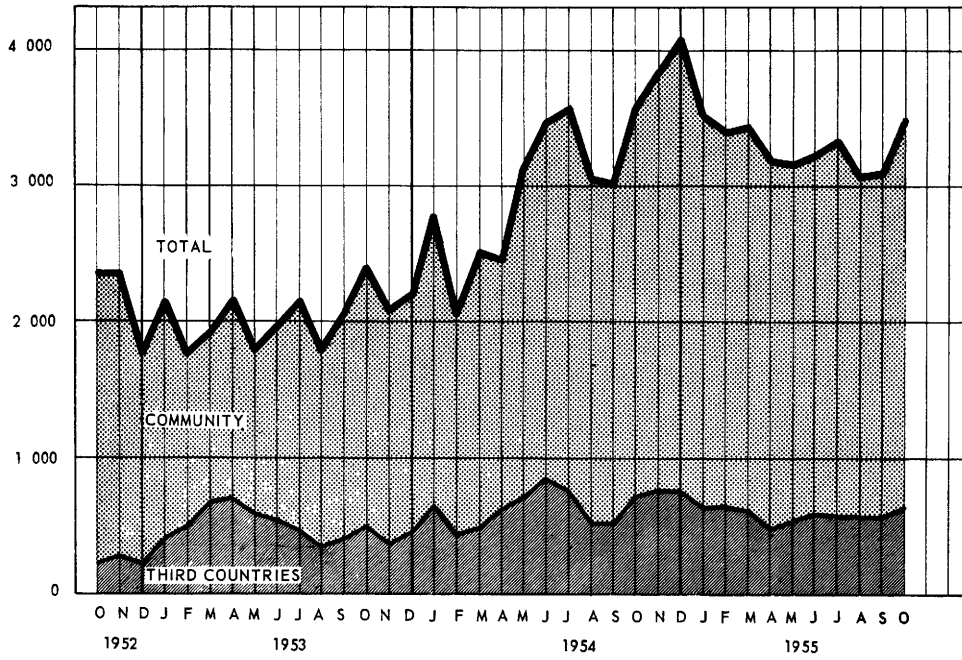
TREND IN NEW ORDERS BY COUNTRIES
(monthly average for last quarter of 1954 = 100)

	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955	October 1955
Germany (W.)	82	75	80	83
Belgium	97	93	89	101
France & Saar	93	84	78	93
Italy	117	105	105	124
Luxembourg	93	92	91	90
Netherlands	86	78	75	68
<u>Community :</u>	<u>90</u>	<u>83</u>	<u>83</u>	<u>91</u>

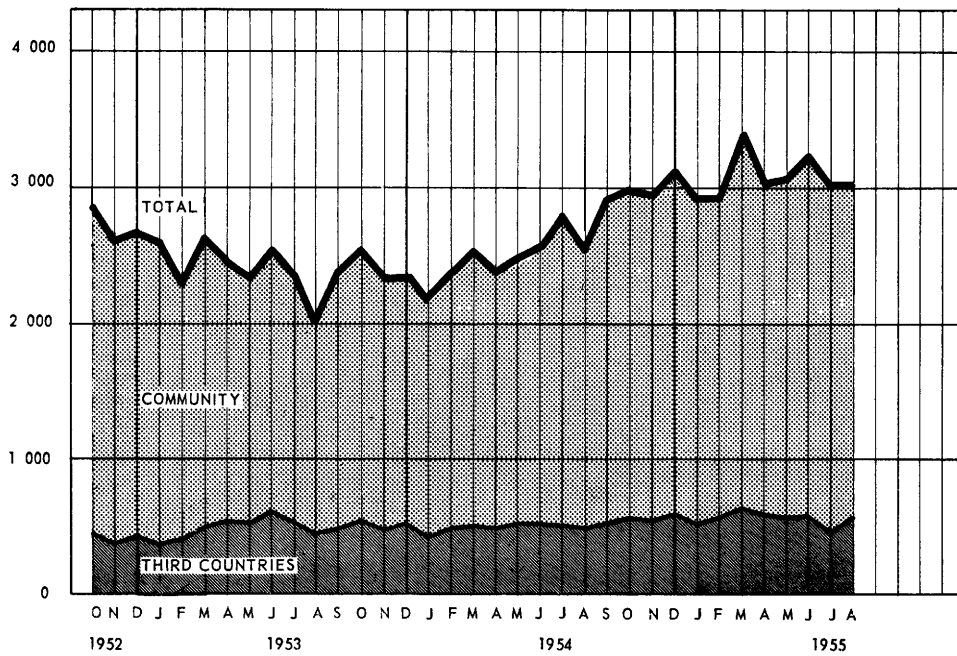
The ratio of orders from consumers in Community countries other than that of the producing works to the total orders placed by Common Market consumers with Community enterprises (rate of market interpenetration) went down with the drop in orders, between the fourth quarter of 1954 and the first quarter of the current year, from 17.1 to 15.4%. When the level of orders became stabilized, the rate of interpenetration rose again, and reached 15.7% in the second quarter and 16.4 in the third (16.7% in August and September). As a result of increased orders in October it went down once more to 15.4%.

(1) Exclusive of special steels.

NEW ORDERS FOR ROLLED PRODUCTS



ROLLED PRODUCTS SHIPPED BY STEELWORKS



The 1952 and 1953 figures include certain tonnages of special steels which were excluded in and after 1954.

(in thousands of metric tons)

9.- Supplies to the iron and steel industry.- The all-round expansion in industrial production, and more particularly in the iron and steel industry, was obviously bound to affect demand in the other sectors of the Common Market, coal (hard coal and coke), iron ore and scrap.

10. Although demand in the steel market declined after a sharp peak at the end of 1954, and subsequently became stabilized during and after the second quarter of 1955, the tightness in the coal market has persisted since the autumn of 1954.

No statistics are available for coal similar to those provided in respect of new orders for iron and steel products, which give a clear picture of the trend in demand. As hard-coal extraction is comparatively inelastic from the short-term standpoint, any appreciable rise in demand is bound to have repercussions on imports, or on movements of pithead stocks, or both.

Hard-coal imports, which, up to the third quarter of 1954, had remained at an average level of slightly over 1m. metric tons per month, began to rise rapidly, and exceeded 2m. metric tons in the third quarter of 1955.

Movements of pithead stocks demonstrate even more clearly the reversal of the trend in demand since the autumn of 1954. Stocks were down from 15m. metric tons at the end of August to 9m. at the end of October 1955.

It should further be noted that this absolute decrease in stocks has been accompanied by a relative increase in the proportion of low-grade fuel, which rose from 50% at the end of August 1954 to more than 70% at the end of October 1955, so that the falling-off in stocks of saleable products has been even faster than is shown in the table below. Availabilities of saleable products are now down to less than 3m. metric tons, representing only three or four days' production.

TREND IN PITHEAD STOCKS (1)

(in millions of metric tons)

	Germany (W.)	Belgium	France	Saar	Netherlands	Community (2)
<u>1954</u>						
August	2 020	4 067	7 607	971	314	<u>14 988</u>
October	1 258	3 874	7 870	1 002	310	<u>14 323</u>
December	654	2 815	7 838	821	287	<u>12 426</u>
<u>1955</u>						
March	760	1 467	8 377	634	290	<u>11 570</u>
August	566	860	7 643	418	306	<u>9 887</u>
October (3)	586	641	7 083	337	290	<u>9 023</u>

(1) Figure are for stocks at end of month.

(2) Including stocks held by the Italian mines at Sulcis.

(3) As at October 23.

Comparison country by country shows that the reversal of the trend in regard to pithead stocks was later in starting and has been proceeding comparatively slowly in France. This is due both to the very high percentage of low-grade fuel in the stocks held in the French coalfields, and to the fact that the revival in demand was first and foremost for coking coal, the proportion of which in French production is relatively low.

Deliveries of hard coal to the coking-plants rose from 6 200 000 metric tons in April 1954 to 7 300 000 in December and 7 600 000 in July 1955 (most recent figure available).

Mention should also be made of the effect which the coal crisis in Great Britain has been having, since the spring of 1955, on demand within the Common Market. In order to keep up its exports and at the same time meet a sharply increased home demand, Britain has been compelled, in view of its declining production, to import considerable tonnages from abroad. To cover its requirements, it turned both to the Community and to the United States, thus incidentally contributing in a large measure to the increase in transatlantic freight rates which has been in progress since the spring of this year. Community buyers of American coal have consequently been faced with both dearer coal and, in addition, increased f.o.b. prices. It is this rise in import prices which is at the bottom of the present tightness in the coal market.

11.- Deliveries of coke to the iron and steel industry, which in April and May 1954 were only 2 500 000 metric tons per month, reached 3 200 000 metric tons by the end of the year, and stood at 3 500 000 at the end of the first six months of 1955 (most recent figure available).

As production went up, stocks at the coking-plants went down. They had been at their maximum in April 1954, with 4 500 000 metric tons, and still totalled 2 600 000 at the end of the year. By the end of August 1955, they were almost non-existent (800 000 metric tons).

12.- Iron-ore requirements are essentially governed by pig-iron production, as consumption in the steelworks is very small. Pig-iron production in April 1954 amounted to barely 2 500 000 metric tons. By the end of the year, it was over 3 100 000, and in the third quarter of 1955 stood at 3 400 000 metric tons per month. The consumption of iron ore by the blast-furnaces went up at the same rate, from 5 400 000 metric tons in April 1954 to 6 900 000 in December and about 7 500 000 per month in the third quarter of 1955 (1).

The increased demand for ore is also reflected in imports from third countries, which went up from slightly less than 1m. metric tons per month in the second quarter of 1954 to 1 200 000 in the fourth, and 1 900 000 at the beginning of the third quarter of 1955.

In addition to the extra tonnages imported and to production going full blast, demand is absorbing some of the stocks at the mines, which have dropped from 6m. metric tons at the beginning of 1955 to 4 200 000 at the end of the third quarter.

13.- The demand for scrap, of course, developed parallel with steel production. While the rise in demand during the fourth quarter of 1954 was still partly attributable to an increase in current consumption requirements, this was no longer so in the first quarter of 1955. Although total scrap consumption went up considerably from the third to the fourth quarter of 1954, it stopped rising in the first quarter of 1955, and settled down at 2m. metric tons per month. The reason for the increasing pressure of demand at the beginning of 1955 must, therefore, be sought elsewhere. It would appear that two main factors may be regarded as responsible.

(1) Including input tonnages of sintered ore.

Firstly, stocks at the works had dropped to a dangerously low level. The increase in requirements could only be covered by drawing on stocks of scrap, so that the iron and steel industry began the winter of 1954-55 with stocks averaging less than two months' consumption of bought scrap. The rise in demand at the beginning of the year was, therefore, due in part to a wish to raise the level of stocks.

The operation of this factor was enhanced by speculative elements. Consumers were afraid at that time that the supply situation would be difficult in the coming months. In particular, they were anxious lest there should be a drop in imports from the United States, which is the Community's main supplier.

Demand began to ease slightly from April onwards, as the demand for iron and steel products slackened. Apprehensions as to possible restrictions on American exports were shown to be unfounded, and prices began to fall. The fact that the usual seasonal decline in business in July and August did not take place, and that the United States Government was urged by American consumers to introduce restrictions on exports of scrap, has, however, alarmed consumers once more, although the stock situation is on the whole satisfactory, with 2 700 000 metric tons now available as against 1 600 000 at the end of the second quarter of 1954, i.e. an average of three months' consumption of bought scrap.

The position did, notwithstanding, ease somewhat in October, except in Italy, where prices tended to increase.

14.- To sum up this analysis of the trend in demand in the Common Market, we may say that demand has become stabilized in the steel market and in the scrap market. This stabilization must not, however, be taken as meaning a decrease in real requirements: it represents a more realistic attitude as to future developments, and greater confidence in a steady flow of supplies.

Demand is, on the other hand, increasing in the coal and iron-ore markets.

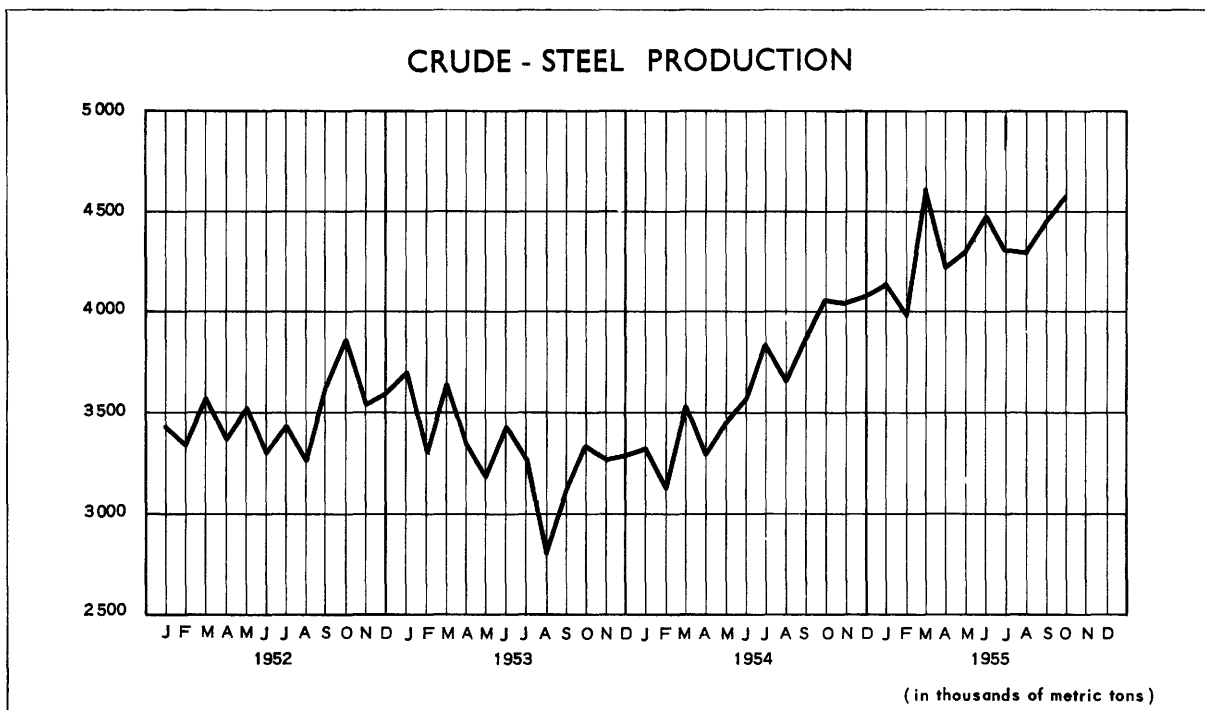
How has production reacted to this development in demand ?

Section 2 - THE TREND IN PRODUCTION

15.- Steel.- The Community's iron and steel production has, on the whole, been characterized by very considerable elasticity in face of the trend in demand.

As has already been noted, pig-iron production has been increasing rapidly since the revival in the iron and steel industry in the spring of 1954 (1). By the third quarter of 1955, it had gone up by 33.5% in all. In 1955, as in 1954, this upward trend was not interrupted by any seasonal decline during the summer months, but the rate of increase slowed down somewhat, from 24% between the first and last quarters of 1954 to 11.2% between that period and the third quarter of 1955. Pig-iron production was 3 400 000 metric tons in September 1955, and 3 600 000 in October.

Crude-steel production developed in much the same way. It rose by 22% from the first to the last quarter of 1954 (3 300 000 to 4m. metric tons per month), and by 7% between the end of 1954 and the third quarter of 1955 (< 300 000 metric tons). The seasonal decline during the summer months was very slight. Altogether, the iron and steel works of the Community produced, in the first ten months of 1955, a total of 43 400 000 metric tons of crude steel, as against 35 700 000 in the corresponding period in 1954, i.e. an increase of 22%.

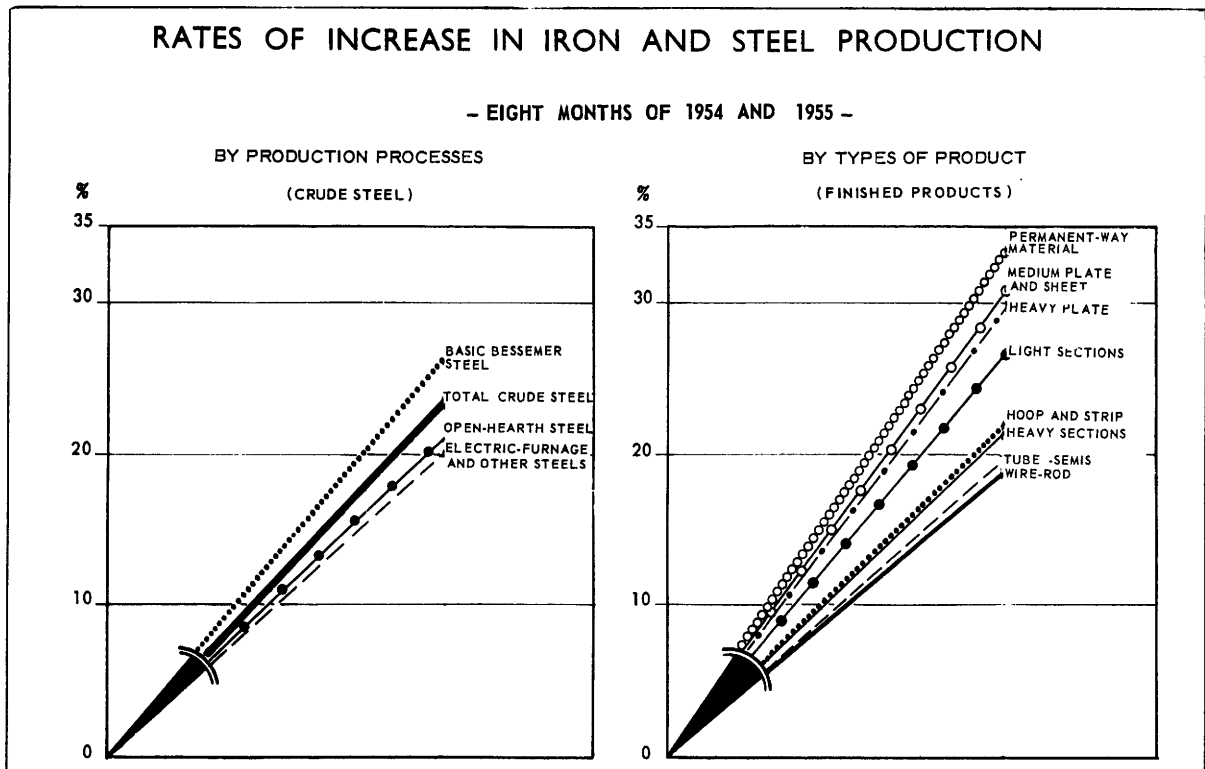


16.- Comparison by producing areas, for the first three quarters of 1954 and of 1955, reveals certain differences in the rate of short-term development. In the two biggest areas, the Ruhr and Lorraine, production followed approximately the same trend. Both in Germany and in France, the increase was on the whole above the average in the secondary areas, with the exception of Rhineland-Palatinate and Western and South-Eastern France. The Italian iron and steel industry shows the fastest rate of increase, while the industries of Luxembourg and the Saar, which developed parallel, come in the middle. The increase in the Netherlands was only slight.

(1) See No. 22 below.

TREND IN CRUDE-STEEL PRODUCTION BY COUNTRIES
AND STEEL-PRODUCING AREAS (1)

<u>GERMANY</u> (W.) -	+ 25.6 %
Ruhr	+ 23.1 %
Lower Saxony & Schleswig-Holstein	+ 52.7 %
Bavaria	+ 22.5 %
Rhineland-Palatinate	+ 17.9 %
Hesse	+ 40.0 %
Baden-Württemberg	+ 28.6 %
<u>BELGIUM</u> -	+ 19.0 %
<u>FRANCE</u> -	+ 21.1 %
Lorraine	+ 20.0 %
North	+ 25.0 %
Centre	+ 23.4 %
West	+ 12.8 %
South-East	+ 19.4 %
South-West	+ 43.7 %
<u>SAAR</u> -	+ 15.6 %
<u>ITALY</u> -	+ 32.3 %
<u>LUXEMBOURG</u> -	+ 15.5 %
<u>NETHERLANDS</u> -	+ 4.8 %



(1) First nine months of 1955, as against the corresponding period in 1954.

17.- As regards the comparative development of crude-steel production according to different processes, the increase in the production of basic Bessemer steel has been greater than in open-hearth, electric-furnace, etc.

The rates of increase for the Community as a whole and for each of the processes have been as follows (production for the first eight months of 1955 as against the corresponding period in 1954) :

Total crude steel	+ 23.6 %
Basic Bessemer.	+ 26.2 %
Open-hearth	+ 21.2 %
Electric-furnace, etc	+ 20.7 %

18.- Production of finished products by works in the Community rose from 18 500 000 metric tons during the first eight months of 1954 to 23 400 000 in the corresponding period in 1955, i.e. an increase of 26%. The increase was, therefore, greater than for crude-steel production (23.6%). As regards the trends for the individual types of products, the figures show that, apart from permanent way material, the absolute volume of which is small, production rose most markedly in the flat-products sector.

Permanent-way material.	+ 33.4 %
Heavy sections.	+ 21.4 %
Light sections	+ 26.7 %
Wire-rod	+ 18.9 %
Tube-semis	+ 19.8 %
Hoop and strip	+ 21.7 %
Heavy plate	+ 29.7 %
Medium plate and sheet	+ 30.9 %

19.- Total production of special steels (high-carbon and alloy steels) in the Community was 305 000 metric tons per month in the first quarter of 1955 and 346 000 in the second. In the German and French industries, which produce approximately three-quarters of the total tonnage of the Community, the average output for the second quarter of 1955 was something like 30% above the level for 1954.

As regards alloy steels, which are the special steels proper, the trend was as follows:

PRODUCTION OF ALLOY STEELS

(monthly averages in thousands of metric tons)

<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1st qtr. 1955</u>	<u>2nd qtr. 1955</u>
148	125	151	175	194

20.- This general picture of developments in iron and steel production indicates that in every branch the rise was in proportion to the rise in demand. The high level of production confirms that the levelling-off of new orders since the beginning of the year is not being taken by Community producers as a symptom of a coming drop in industrial activity and consequently in the real requirements for iron and steel products.

At the same time, the rate of increase in the production of pig-iron and crude steel has, as we have seen, slowed down in the course of the year. In most of the Community countries, the industry is in fact at present working pretty

well to existing capacity. Thus we must expect the next few months to see a certain levelling-off in production, until such time as the new plant and modernization measures now in hand or planned come into operation.

21.- The situation in the different Community countries may be briefly summed up as follows:

In Germany, the monthly output of iron and steel products has been going up steadily since April. Crude-steel production throughout the third quarter was over 1 800 000 metric tons. It would appear that existing capacity is being fully utilized.

In Belgium, crude-steel production has been stationary since the beginning of the year (481 000 metric tons per month for the third quarter of 1955 as against 486 000 in the second and 481 000 in the first). Finished products have fallen off somewhat since the second quarter. Capacity is being utilized at what may be considered the optimum rate.

In France and the Saar, crude-steel production increased steadily during the first and second quarters. There was no seasonal decline in the Saar during the third quarter, though a slight one was observable in France. Finished products, which had stood at over 1 million metric tons in March, subsequently dropped, but are still maintaining a high level. The seasonal decline in July and August was fairly marked. It seems probable that production could be further increased to meet a fresh rise in demand, but this would mean utilizing existing plant to the absolute limit.

In Italy, the production of crude steel and finished products is going up steadily. The sharp seasonal decline in August is quite normal, in view of the number of public holidays and the effect of annual holidays. There is still a certain margin in respect of crude steel. By making maximum use of all plant available, it would be possible to achieve an increase of something like 15 % over the present level. As regards finished products, there are still a number of difficulties, but once the new machinery now being run in is fully working, it should be possible to process all the crude steel produced.

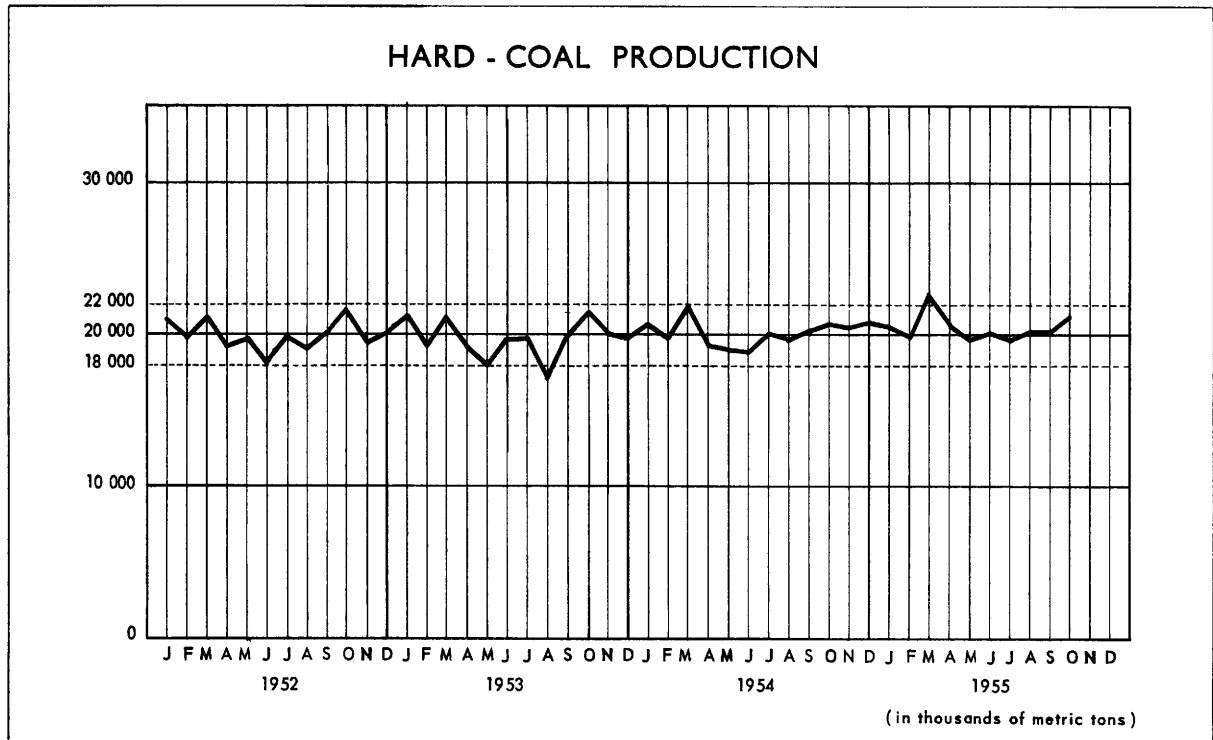
In Luxembourg, the present level of production is still not much above that reached at the time of the Korean boom. The industry is, however, working nearly to full capacity.

In the Netherlands, crude-steel production has not noticeably increased since the beginning of 1954, though the output of finished products is rising (72 000 metric tons per month in 1955). There is practically no margin of capacity left for crude steel.

22.- Hard coal.- The main feature of the trend in hard-coal production is its inelasticity in relation to variations in demand. The Community collieries produced 204 380 000 metric tons of hard coal in the first ten months of 1955, as against 200 266 000 during the corresponding period in 1954. The rate of extraction has thus increased by only 2.1 %, although the industrial-production index has gone up by 12 % and iron and steel production by 22 %.

In the two main coalfields of the Community, the Ruhr and the Nord/Pas-de-Calais, the increase was approximately the same. In the three next biggest coalfields, on the other hand, the trend differed fairly widely. Extraction is falling off in Southern Belgium, which produces about two-thirds of the country's output.

It is rising at a rate above the average in the Saar and in Lorraine, where it corresponds more or less to the rate in the Ruhr. Of the other coalfields, the Campine stands out by showing the highest rate of increase in the whole Community, while extraction is still dropping in Dutch Limburg. Production in the Italian coalfield of Sulcis, though inconsiderable in actual volume, has risen faster than the average.



TREND IN HARD-COAL PRODUCTION BY COUNTRIES
AND COALFIELDS (1)

<u>GERMANY</u> (W.) -	<u>+ 2.1 %</u>
Ruhr	+ 2.3 %
Aachen	+ 2.8 %
Lower Saxony	+ 4.6 %
<u>BELGIUM</u> -	<u>+ 0.8 %</u>
South	- 3.0 %
Campine	+ 9.3 %
<u>FRANCE</u> -	<u>+ 2.1 %</u>
Nord/Pas-de-Calais	+ 2.0 %
Lorraine	+ 2.4 %
Centre-Midi	+ 2.5 %
<u>SAAR</u> -	<u>+ 4.2 %</u>
<u>ITALY</u> - (Sulcis)	<u>+ 3.4 %</u>
<u>NETHERLANDS</u> - (Limburg)	<u>- 1.8 %</u>

This short-term inelasticity which characterizes hard-coal production is, of course, due mainly to the technical conditions which govern the maturing of new investments. Sinking a new pit takes ten to fifteen years, from the time work is

(1) First nine months of 1955, as against the corresponding period in 1954.

started on it to the time it can be said to be fully producing. The only short-term way to increase extraction is to lengthen shifts, take on more labour, or improve the technical conditions of coal-raising (mechanization and rationalization), i.e. by stepping up productivity.

A comparative study of O.M.S. underground for the first nine months of 1954 and 1955 respectively shows an increase of 4.6 % for the Community hard-coal mines as a whole. The development in the main coalfields was as follows:

TREND IN UNDERGROUND OUTPUT BY COALFIELDS (1)

Ruhr	+ 3.3 %
Campine	+ 10.8 %
Southern Belgium	+ 1.7 %
Nord/Pas-de-Calais	+ 6.4 %
Lorraine	+ 2.2 %
Centre-Midi	+ 6.8 %
Saar	+ 4.4 %
Dutch Limburg	- 0.5 %
Sulcis	+ 33.5 %
<u>Community:</u>	<u>+ 4.6 %</u>
	=====

These rates are mostly higher than the rates of increase in production. Underground O.M.S. in the Community as a whole went up between the two periods reviewed by 4.6 %, whereas production only rose by 2.1 %.

If we examine the figures for the number of underground workers employed, we realize the reason for this disparity. For the Community as a whole, the average number of underground workers on the books in the hard-coal mines fell by 2.3 % from one period to the other (from 673 600 to 658 200 men). While in France this decrease is part of a systematic policy followed by the collieries, in most of the other coalfields it is due not to mass dismissals or deliberate non-recruitment, but to workers leaving in search of other jobs and the difficulty of finding miners to replace those retiring on reaching the age-limit. This suggests that, if it were not for this falling-off in the number of underground workers, the increase in production would have been about the same as the increase in output, i.e. hard-coal production in the first nine months of 1955 would have been some 4 500 000 metric tons above the level it actually did reach. This figure is almost exactly the same as that for the increase in imports from third countries between the two periods reviewed (+ 4 400 000 metric tons).

The fact that the overall figures thus coincide must not, of course, be taken as meaning that the tonnages lost by reason of the drop in the number of underground workers would have made the additional imports unnecessary for all areas and all types of coal. The tightness in the Common Market for coal has been felt mainly in respect of coking coal, a type which would probably have had to be purchased in larger quantities from third countries in any case, owing to the increase in requirements.

The shrinkage in the labour force has, however, seriously affected the two coalfields producing the biggest tonnages of coking coal in the Community. In the Ruhr, the number of underground workers has dropped by more than 3 % since the spring of 1955, at a rate of a thousand a month. In the Nord/Pas-de-Calais, it went down by 4.6 % between the first eight months of 1954 and the corresponding period in 1955. The parallelism between the increase in imports and the production lost

(1) First nine months of 1955, as against the corresponding period in 1954.

Developments since the revival in the iron and steel industry in the spring of 1954 have been as follows (monthly averages):

<u>1954</u>	
2nd quarter	4 731 000 metric tons
3rd quarter	4 984 000 metric tons
4th quarter	5 331 000 metric tons
<u>1955</u>	
1st quarter	5 481 000 metric tons
2nd quarter	5 655 000 metric tons
3rd quarter	5 769 000 metric tons

The increase between the second quarter of 1954 and the third quarter of 1955 was 21.9 %. It should, however, be noted that the rate of increase has slowed down since the beginning of 1955. Whereas coke production increased by 12.7 % between the second and fourth quarters of 1954, the increase between the end of 1954 and the third quarter of 1955 was only 8 %. It was only possible to keep up the rate of coke production by considerably stepping up imports of fines from third countries, mainly from the United States.

The steepest rise in production was in Germany, whose coking-plants provide 60 % of the total output of the Community. If we compare the lowest points touched by production in each country in 1954 (first quarter in Belgium, second quarter in Germany, the Saar, Italy and the Netherlands, third quarter in France) with the level reached in the third quarter of 1955, we find that the rates of increase were as follows:

Germany (W.)	+ 25.6 %
Belgium	+ 13.3 %
France	+ 17.2 %
Saar	+ 18.2 %
Italy	+ 26.6 %
Netherlands	+ 23.6 %
	<u>Community: + 22.5 %</u>
	=====

Coke production has thus proved fairly elastic. By at the same time drawing on stocks (which have now been almost entirely used up), it has been possible to meet requirements, despite an increase of 33.5 % in pig-iron production since the recovery in the iron and steel industry in the spring of 1954. Although as regards the overall production capacity of the coking-plants the supply situation does not present any problem for the moment, it will not be possible to keep up the present rate of home consumption and exports unless there is an increase in the extraction of coking coal, or alternatively immediate action to import extra tonnages.

24.- Iron ore.- Iron-ore production went up by 19.5 % between the second quarter of 1954 and the third quarter of 1955. The increase was achieved mainly before the first quarter of 1955. Since then, production has become stabilized at 5 700 000 metric tons per month. Absolutely speaking, the increase is accounted for in the main by the French iron-ore mines, which provide more than 70 % of the ore produced in the Community and have stepped up their production by over 17 % since the revival in the iron and steel industry. High rates of increase have, however, also been registered in the other producer countries of the Community, viz. 27 % in Germany, over 50 % in Luxembourg, and close on 100 % in Italy.

25.- Scrap.- Finally, as regards scrap, availabilities are constituted by own arisings, by scrap recovery within the Community, and by imports from third countries.

Steelworks' own arisings have increased with the revival in production. From approximately 900 000 metric tons per month in the second quarter of 1954, they went up to more than 1 million in and after the fourth quarter, and in the third quarter of 1955 stood at slightly over 1 100 000.

In the absence of definite figures for internal scrap recovery, we may disregard movements of dealers' stocks and study purchases by the steelworks within the Common Market. These increased slowly but steadily from the second quarter of 1954 (722 000 metric tons per month) to the second quarter of 1955 (840 000 metric tons). After this peak, they dropped again to 665 000 metric tons for the third quarter of this year.

If we add own arisings and purchases within the Community, and compare the figure thus obtained to the consumption of scrap and the movements of stocks at the works, we note two points,

firstly, that the discrepancy between internal resources and total consumption has gradually widened, and

secondly, that it was mainly made good, up to the third quarter of 1954, by drawing on stocks at the works.

INTERNAL SCRAP RESOURCES AND CONSUMPTION

(monthly averages in thousands of metric tons)

	Internal resources	Total consumption	Difference	Stocks (1)
<u>1954</u>				
1st quarter	1 540	1 622	- 82	1 875
2nd quarter	1 613	1 706	- 93	1 603
3rd quarter	1 723	1 786	- 63	1 529
4th quarter	1 788	1 941	-153	1 650
<u>1955</u>				
1st quarter	1 836	1 970	-134	1 945
2nd quarter	1 941	2 009	- 68	2 536
3rd quarter	1 785	1 998	-213	2 683

Imports from third countries, which rose from 3 000 metric tons per month in the second quarter of 1954 to 263 000 in the third quarter of 1955, thus served a dual purpose, firstly to cover the growing deficiency in current availabilities, and secondly to adjust the level of stocks to the rate of consumption.

26.- We may sum up this brief analysis of the trend in production in the different sectors of the Common Market as follows:

In the steel market, production developed in accordance with demand, though without following its fluctuations.

In the coal market, hard-coal production increased slightly while demand increased considerably. The result was a tightness in the market, particularly in the coking-coal sector, which necessitated additional imports from third countries. Coke production, on the other hand, was reasonably elastic. The problem in regard to coke is not one of production capacity, as in the case of hard coal, but one of supplies of coking coal.

(1) Stocks held at the steelworks at the end of the period.

In the iron-ore market, production increased less quickly than demand.

In the scrap market, the boom in iron and steel has served to emphasize once more the structural discrepancy between internal resources and requirements.

Section 3 - THE OPERATION OF THE COMMON MARKET

27.- One of the quickest and most noticeable results achieved through the operation of the Common Market is the very considerable increase in trade in Treaty products between Community countries. Another result, linked up with the first, is the stability of prices in general in spite of the intensity of demand.

It is proposed to deal with these two aspects first, and then go on to analyze the action taken by the High Authority to improve conditions of competition in the Common Market, in order both to avoid short-term disturbances and to facilitate the necessary gradual adjustment to the new conditions.

THE TREND IN TRADE. -

28.- Between 1952 and 1955, the volume of trade went up by 164 % for iron and steel products, by 34.8 % for coal (hard coal, coke and hard-coal briquettes), by 44.4 % for hard coal, by 10.5 % for coke, by 37 % for iron ore, and by 177 % for scrap (1).

This very considerable increase has in some cases given rise to controversy. In the following pages we shall be dealing with its general significance, its present development and its structure product by product and country by country.

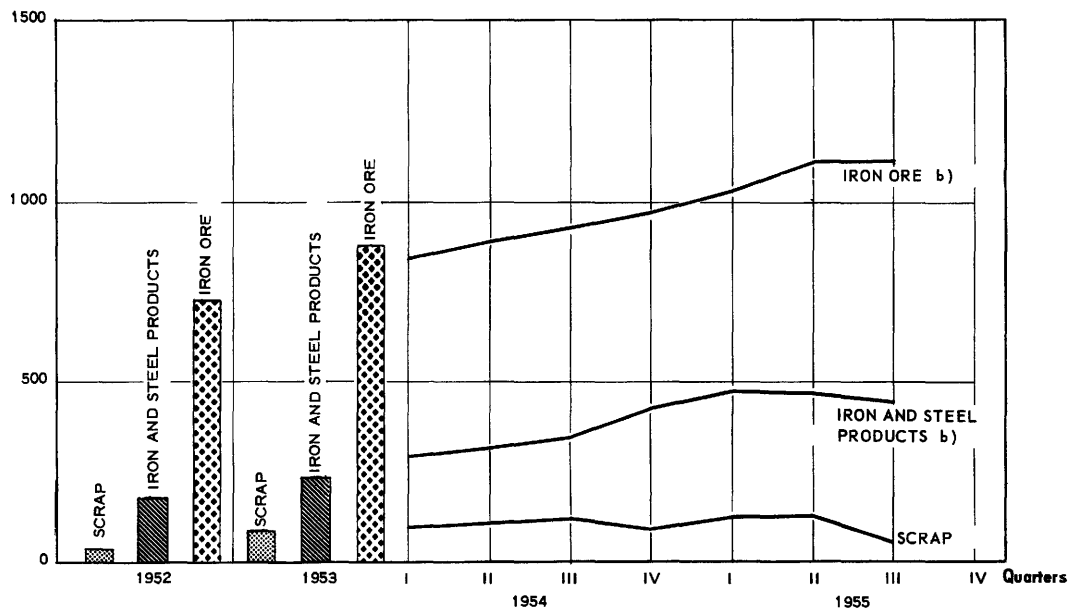
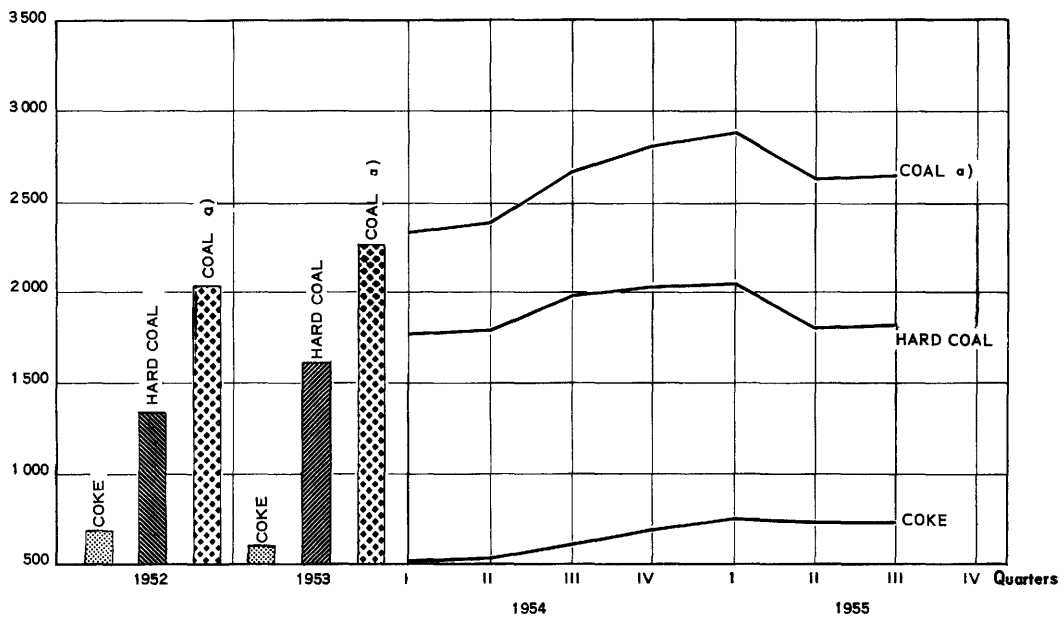
29.- General significance.-The increase in trade taken by itself does not accurately indicate the degree of competition in the Common Market: on the one hand, alignment discounts allowed by a steelworks to a consumer in its own country in consequence of a quotation to that consumer by a competing enterprise in another country do not increase the volume of trade, yet do represent one of the ways of carrying on competition, particularly at times when business is falling off; on the other hand, the trade referred to, on the basis of the figures at present available, is trade between countries, whereas competition must also lead to, and is in fact beginning to lead to, changes in the flow of trade inside each individual country, as a result of the abolition of various protective measures and compensation schemes which existed before the introduction of the Common Market.

But even though the increase in trade does not represent the exact degree of competition, it demonstrates that competition does exist. It shows that buyers (who are undoubtedly more numerous than they used to be) can now place orders (and equally undoubtedly for larger tonnages than they used to) with producers in Community countries other than their own, and the reason why they are doing so is that they are finding they benefit by this practice, either from the available supplies, from the quality of the products, from the prices quoted, or from the delivery dates. Conversely, producers can now take advantage of the openings provided by an enlarged market covering the whole territory of the six member States, and the reason why they are doing so is that they, too, are finding they benefit by it, either immediately or at a later date.

30.- There has been a tendency in some quarters to regard this increase in trade as the effect of favourable developments in the economic situation rather than of the Common Market. This view is incorrect.

(1) Comparison is between the monthly average for 1952 and the monthly average for the first eight months (for iron and steel products and iron ore) and first nine months (for coal and scrap) of 1955.

DEVELOPMENT OF TRADE BETWEEN COMMUNITY COUNTRIES



a) Hard coal + coke + hard-coal briquettes

b) July and August only

(Monthly averages in thousands of metric tons)

First of all, it may be noted that the rates of increase in trade quoted above are based on comparison between two years in both of which business was excellent, not only for the coalmining and iron and steel industries, but for industrial production as a whole. The increase in trade is proportionally much higher, for almost all the products of the Community except coke, than the increase in production. In other words, the ratio of trade to production has gone up as follows:

RATIO OF TRADE TO PRODUCTION (1)

	<u>1952</u>	<u>1955</u>
Iron and steel products (2)	5.5 %	11.9 %
Hard coal	6.6 %	9.4 %
Coke	13.0 %	13.3 %
Iron ore	12.7 %	18.7 %
Scrap (3)	4.2 %	13.1 %

Secondly, if it were true that the increase in trade could be attributed to a favourable development in the economic situation, the reverse should also be true, i.e. there should be a falling-off in trade when the economic situation was less favourable. The course of events has shown that this is not so at all. In 1953 and early 1954 business was poor, but trade increased steeply as soon as the Common Market was introduced.

31.- Since the Common Market was first introduced, it has grown into a living reality: it is working, and working better and better. In considering its impact on the volume of trade between the Community countries, therefore, we should, in theory, distinguish between the effects of its actual introduction and those of its continued existence.

It is not easy to fix a definite period covering the first results, and any attempt to do so must necessarily be somewhat arbitrary. In actual fact, the two sets of effects probably link up from a certain point onwards, and in any case, the "introduction" of the Common Market in the broad sense of the term - meaning the whole corpus of measures required for the progressive adjustment of production to the new conditions - must extend over the five-year transition period laid down in the Treaty.

However, since the principal decisions applying the rules of the Common Market had already been taken by the beginning of 1954, we may reasonably consider that 1953 constituted the running-in period of the Common Market, and that the first adjustments had been completed by the time the economic revival set in during the spring of 1954. Trade in general had already shown a marked increase during the first few months after the introduction of the Common Market, and continued to improve as the revival proceeded.

(1) See footnote on p. I, 19.
(2) In ingot equivalent as against crude-steel production.
(3) As against total purchases within the Common Market by Community steelworks.

TREND IN TRADE FROM 1952 TO 1955 (1)

	1952-53	1953-54	1954-55	1952-55
Iron and steel products	+ 37.5 %	+ 43.3 %	+ 34.0 %	+ 164.0 %
Coal (2)	+ 10.6 %	+ 13.3 %	+ 7.7 %	+ 34.9 %
Hard coal . . .	+ 21.7 %	+ 17.7 %	+ 0.8 %	+ 44.5 %
Coke	- 12.6 %	- 1.1 %	+ 28.1 %	+ 10.8 %
Iron ore	+ 11.3 %	+ 3.4 %	+ 11.9 %	+ 37.0 %
Scrap	+ 145.8 %	+ 14.5 %	- 1.6 % ⁽³⁾	+ 176.9 % ⁽³⁾

32.- Within this general upward trend in trade among the Community countries, developments varied somewhat according to products.

- a) - Iron-ore and scrap requirements are essentially governed by iron and steel production. Trade in iron ore showed just as marked an increase in 1952-1953 (a slack period in the iron and steel industry) as in 1954-1955 (a highly active period). Trade in scrap before the introduction of the Common Market was subject to quota restrictions if it was allowed at all.
- b) - Requirements in iron and steel products are governed by the general economic situation. The trend of trade in these products from 1954 onwards definitely reflects the increase in the demand for steel, but it should be borne in mind that the increase in trade was already well in evidence at the end of 1953 and the beginning of 1954, when the economic situation was unfavourable. It is very difficult, in the circumstances, to see clearly what is due to the introduction of the Common Market and what to general economic developments. The increase in trade between 1954 and 1955 is much the same as that between 1952 and 1953.
- c) - Coal requirements come more or less midway between the other two, being governed by the general economic situation and by the state of the iron and steel market at the same time.

The trend of trade in coal is similar to that in iron ore and scrap: the increase was greater when the Common Market was first introduced, during a slack period, than in 1954 and 1955 when business was good.

The only product for which the trade figures move strictly in line with the general economic trend is coke. Coke requirements are very closely bound up with iron and steel production. Trade in coke increased from 1954 to 1955, after dropping in 1953 and again slightly in 1954. Moreover, the total rate of increase for trade in coke between 1952 and 1955 is very similar to that for coke production.

(1) See footnote on p. I, 19.

(2) Hard coal, coke and hard-coal briquettes.

(3) Trade in scrap fell off considerably in the third quarter of 1955. If we take as a basis for comparison the monthly average for the first six months of 1955, the variation is + 22.4 % for 1954-1955, and 244.4 % for 1952-1955.

33.- This analysis reveals a cause-and-effect relation between general economic developments and the development in the volume of trade. It is, however, a relation conditioned by the existence of the Common Market.

This may be cross-checked by a study of the development of trade in the various products now coming within the Common Market, between 1950 and 1952, i.e. between a slack year and an active year. It will be seen that, in contrast to what happened in the Common Market between 1953 and 1955, the increase in trade was at that time much slighter than that in production, except in the case of iron ore. Trade in hard coal even dropped although production went up. As regards coke, the simultaneous increase in production and trade was due to the fact that German production was regulated by the Allied High Commission, whereas today the existence of the Common Market has begun to establish conditions which of themselves ensure that trade is properly adjusted to the increase in production.

TREND IN PRODUCTION AND TRADE
between 1950 and 1952

	<u>Production</u>	<u>Trade</u>
Steel	+ 31.7 %	+ 22.4 %
Coal		
Hard coal	+ 9.9 %	- 9.2 %
Coke	+ 34.3 %	+ 34.3 %
Iron ore	+ 42.2 %	+ 60.0 %
Scrap	- 52.7 %

To sum up, the increase in the volume of trade from 1952 to 1953 can be unhesitatingly imputed to the introduction of the Common Market, as it took place during a period of declining economic activity.

The striking effect on trade of the economic recovery which began in the spring of 1954 was due to the existence of the Common Market.

34.- Present trend in trade.- The volume of trade between the Community countries increased still further, as we have seen, from 1954 to 1955. The rate of increase has, however, slowed down from that registered for previous years, except in respect of iron ore and coke. The general tendency seems to be towards stabilization.

DEVELOPMENT OF TRADE DURING 1955 (1)

(monthly averages in thousands of metric tons)

	4th qtr. 1954	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955 (4)
Iron and steel products	426	472	468	447
Coal (2)	2 816	2 897	2 633	2 645
Hard coal	2 027	2 047	1 804	1 823
Coke	697	757	736	734
Iron ore	965	1 020	1 104	1 109
Scrap (3)	92	123	126	51

- (1) Based on deliveries.
 (2) Hard coal, coke and hard-coal briquettes.
 (3) Based on incoming shipments.
 (4) July and August only for iron and steel products and iron ore.

35.- Development of trade by products and by countries.-

1. - Iron and steel products.- The pattern of trade according to types of product has undergone a number of changes from 1954 to 1955, most of which confirm the tendencies already discernible in 1953 - 1954 (1).

The proportion of ingots and semis as well as of plate in the total volume of trade continued to rise. In the case of bars, which still come first in absolute volume, the proportion continued to decrease, as did that of wire-rod, the only product to show an actual drop in the absolute volume of trade. Strip and sections, which rose higher on the list in 1953 - 1954, have remained more or less in the same position as before.

New factors are, however, also in evidence. Thus the proportion of permanent-way material, which dropped in 1953 - 1954, rose again in 1955: in absolute volume, trade in this product almost doubled. Again, there has been an above-average rise in trade in medium plate and sheet. The proportion of pig-iron, on the other hand, which went up in 1954, went down again in 1955.

CHANGES IN THE PATTERN OF TRADE IN IRON AND STEEL
PRODUCTS BY TYPES OF PRODUCT (2)

	<u>1953</u>	<u>1954</u>	<u>1955</u>
Pig-iron	9.8 %	10.3 %	9.7 %
High-carbon ferro-manganese .	0.8 %	0.9 %	1.1 %
Ingots and semis (3)	16.2 %	17.9 %	18.1 %
Permanent-way material	6.6 %	3.7 %	5.2 %
Bars	24.2 %	19.4 %	19.1 %
Sections and sheet-piling . .	10.0 %	14.2 %	13.7 %
Wire-rod	8.4 %	7.6 %	5.4 %
Hoop and strip	5.6 %	7.0 %	6.8 %
Heavy plate (4)	5.7 %	7.7 %	9.2 %
Medium plate and sheet (5) . .	12.7 %	11.3 %	11.7 %
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
	=====	=====	=====
<u>Monthly average:</u>	241.6	346.2	469.5
(in thousands of metric tons)	=====	=====	=====

A breakdown of trade by countries shows that out of approximately 470 000 metric tons of iron and steel products delivered and received monthly by Community countries during the first six months of 1955:

-
- (1) No figures are available for the pattern of trade in 1952 by types of Treaty product.
 - (2) Comparison is between the monthly averages of 1953, 1954 and the first six months of 1955.
 - (3) Including coils.
 - (4) Plate over 3 mm., listed as such in the standard nomenclature.
 - (5) All plate and sheet (including universals), exclusive of the plate described under footnote 4 above.

- almost 207 000 metric tons (i.e. 44 %) were absorbed by the German market from France with the Saar (104 000 tons), the Belgo-Luxembourg Economic Union (81 000 tons) and the Netherlands (21 000 tons);
- over 119 000 metric tons (i.e. 25.5 %) were absorbed by the Netherlands market from the Belgo-Luxembourg Union (69 000 tons), the German Federal Republic (44 000 tons) and France with the Saar (6 400 tons);
- the remainder, totalling approximately 144 000 metric tons, went mainly in deliveries

by Belgium and Luxembourg to France (38 400 tons) and Italy,
by France with the Saar to Italy (27 200 tons) and Belgium (21 400 tons),
by Germany to France and the Saar (11 300 tons), Italy (10 300 tons)
and Belgium (9 400 tons).

a) Deliveries by German enterprises to other Community countries rose from 25 000 metric tons per month in 1952 to 37 000 in 1953, 64 000 in 1954, and nearly 75 000 in the first six months of 1955.

A feature of the development from 1953 to 1955 was a proportional increase in the deliveries of pig-iron, ingots, semis and plate; these products in 1955 represent nearly three-quarters of Germany's total deliveries, as against two-thirds in 1954 and a little over one-half in 1953. Deliveries of bars, sections and wire-rod fell off from 1954 to 1955 both proportionally and absolutely.

The chief customers were buyers in the Netherlands (11 800 metric tons per month in 1952, 43 800 in 1955), who were mainly interested in ingots and semis (16 500 metric tons per month in 1955) and plate and sheet (close on 10 000 tons). Deliveries of pig-iron, bars and, in particular, wire-rod decreased.

The next biggest buyers were consumers in France and the Saar (800 metric tons per month in 1952, 11 300 in 1955), whose orders were principally for pig-iron, ingots and semis, and plate and sheet: between 1953 and 1955 German sales of heavy plate to France and the Saar rose from 50 metric tons per month to over 3 000, and sales of medium plate and sheet from 61 to 726.

Deliveries to Italy went up from 5 200 metric tons per month in 1952 to 12 500 in 1954, but fell again to 10 300 in 1955. The drop from 1954 to 1955 was mainly in respect of sections, ingots and semis, and permanent-way material. There was a slight increase in sales of plate, sheet and pig-iron.

Deliveries to Belgium (7 400 metric tons per month in 1952, 10 000 in 1954, 9 400 in 1955) now also show a decline for all products except pig-iron, plate and sheet.

b) Deliveries by Belgian and Luxembourg enterprises to other Community countries rose from 104 500 metric tons per month in 1952 to 148 900 in 1954 and 197 000 in the first six months of 1955.

The main development in the pattern of trade was a progressive increase in the proportion of bars, sections, plate and sheet, and a decrease in wire-rod and permanent-way material. In 1955, bars, sections, plate and sheet, and ingots and semis represented approximately 80 % of total deliveries.

Sales by Belgium and Luxembourg are now mainly to Germany (44 400 metric tons per month in 1952, 81 100 in 1955), whereas up to 1954 it was the Netherlands which was the principal customer. Belgian and Luxembourg works are selling to Germany mainly bars (27 300 metric tons), sections (15 700 tons), hoop and strip, plate and sheet, and ingots and semis. Deliveries of permanent-way material and wire-rod, and of pig-iron, are falling away from the 1954 level, and even, in the case of permanent-way material, from that of 1953.

Sales to the Netherlands (47 600 metric tons per month in 1952, 69 100 in 1955) are made up mostly of bars (29 800 tons) and sections (11 800 tons); these sales are on the increase, as are those of ingots and semis.

Sales to France and the Saar (1 200 metric tons per month in 1952, 25 300 in 1954, 38 400 in 1955) are made up mainly of ingots and semis (under 3 000 metric tons per month in 1953, 11 200 in 1955), hoop and strip, and plate and sheet (1 300 metric tons per month in 1953, 17 400 in 1955). There has, in addition, been a marked increase in deliveries of permanent-way material and bars.

Sales to Italy, which have shown an overall drop from 11 300 metric tons per month in 1952 and 12 100 in 1953 to 8 400 in 1955, are declining in particular in respect of medium plate and sheet (4 400 tons in 1953, 2 700 in 1955), although there is a slight increase for ingots and semis.

c) Deliveries by French and Saar enterprises to other Community countries rose from 40 000 metric tons per month in 1952 to 110 000 in 1954 and over 159 000 in the first six months of 1955. They have latterly for the most part represented sales of plate and sheet (32 600 metric tons), sections (28 000 tons), bars (24 600 tons), and ingots and semis (22 600 tons).

It is not easy to detect any definite trend in the movements of deliveries from France and the Saar. The proportions of most products have reversed from 1953 to 1954 and from 1954 to 1955. A fairly distinct decline is, however, observable in the proportion of wire-rod and hoop and strip, and a less distinct one in the proportion of bars. Ferro-manganese, sections, and plate and sheet appear, on the other hand, to be increasing. The percentage of permanent-way material, which had dropped from 1953 to 1954, almost doubled from 1954 to 1955.

Deliveries to all Community countries in 1955 showed an increase over 1954, and even over 1953 if we except sales to the Netherlands.

The most important group of customers are the consumers of Western Germany, who are taking approximately two-thirds of the deliveries from France and the Saar (104 000 metric tons per month out of rather more than 159 000), as against only one-half in 1952 (20 000 metric tons out of 40 000) and 1953 (45 000 tons out of 90 000). Sales to Germany are made up mainly of hoop and strip and of plate and sheet (16 500 metric tons per month in 1953, 32 800 in 1955), sections (8 400 and 22 100 tons), bars (11 000 and 20 900 tons), and ingots and semis (2 500 and 14 800 tons). Overall deliveries show an increase from 1953 to 1954 and from 1953 to 1955.

The second group of customers are the consumers in Italy (10 100 metric tons per month in 1952, approximately 21 000 in 1953 and 1954, 27 200 in 1955). Sales to Italy are made up mainly of permanent-way material (rather more than 3 400 metric tons per month in 1953, almost 11 100 in 1955), ingots and semis (which are declining, from 6 650 tons to 4 600), medium plate and sheet (3 600 tons in 1953, 4 500 in 1954, 3 800 in 1955), and sections (which have risen from approximately 1 600 metric tons in 1953 to more than 3 700 in 1955).

Sales to Belgium have risen from 5 900 metric tons per month in 1952 to 21 400 in the first six months of 1955. They are chiefly in respect of pig-iron, ferro-manganese, and ingots and semis (12 750 metric tons per month in 1953, 17 200 in 1955), and of hoop and strip and plate and sheet (700 metric tons per month in 1953, 3 000 in 1955).

Sales to the Netherlands have gone up from 3 800 metric tons per month in 1952 to 6 400 metric tons in the first six months of 1955. 60 % of this figure is accounted for by deliveries of bars and sections, with an increase in sections and a decrease in bars. As regards other products, 1955 shows a drop as against 1953 in sales of permanent-way material and wire-rod, and an increase, followed by a slight decline, in plate and sheet.

d) Deliveries by Italian enterprises to other Community countries are something new altogether. They were practically non-existent up to 1954, but reached a total of 6 100 metric tons per month in the first six months of 1955, consisting chiefly of sales of heavy plate (4 300 metric tons) to French consumers.

e) Deliveries by Netherlands enterprises to other Community countries have been increasing considerably, from 5 700 metric tons per month in 1952 to 22 300 in 1954 and 32 200 in the first six month of 1955. These tonnages for the most part represent sales to Germany (20 900 metric tons per month in 1955, including 13 200 metric tons of ingots and semis and 2 200 metric tons of medium plate and sheet), Belgium (7 800 metric tons, including 3 200 metric tons of pig-iron and 4 200 metric tons of plate and sheet) and France (2 800 metric tons, including over 2 500 metric tons of pig-iron).

36.- The following table shows the overall development of trade in iron and steel products among Community countries.

TRADE IN IRON AND STEEL PRODUCTS WITHIN THE COMMUNITY (1)
(monthly averages in thousands of metric tons)

	1952	1953	1954	1955 (2)
<u>Country of supply</u>				
Germany (W.)	25.2	37.3	64.3	71.1
Belgium and Luxembourg	104.5	103.6	148.9	199.9
France and Saar	40.1	90.8	110.1	157.1
Italy	0.2	0.4	0.6	5.4
Netherlands	5.7	9.5	22.3	30.3
<u>Total:</u>	175.7	241.6	346.2	463.8
<u>Country of destination</u>				
Germany (W.)	65.5	90.0	139.8	206.7
Belgium and Luxembourg	17.7	28.3	26.7	32.3
France and Saar	2.3	9.8	37.8	61.3
Italy	26.9	40.5	44.9	41.6
Netherlands	63.3	73.0	97.0	114.9
<u>Total:</u>	175.7	241.6	346.2	463.8

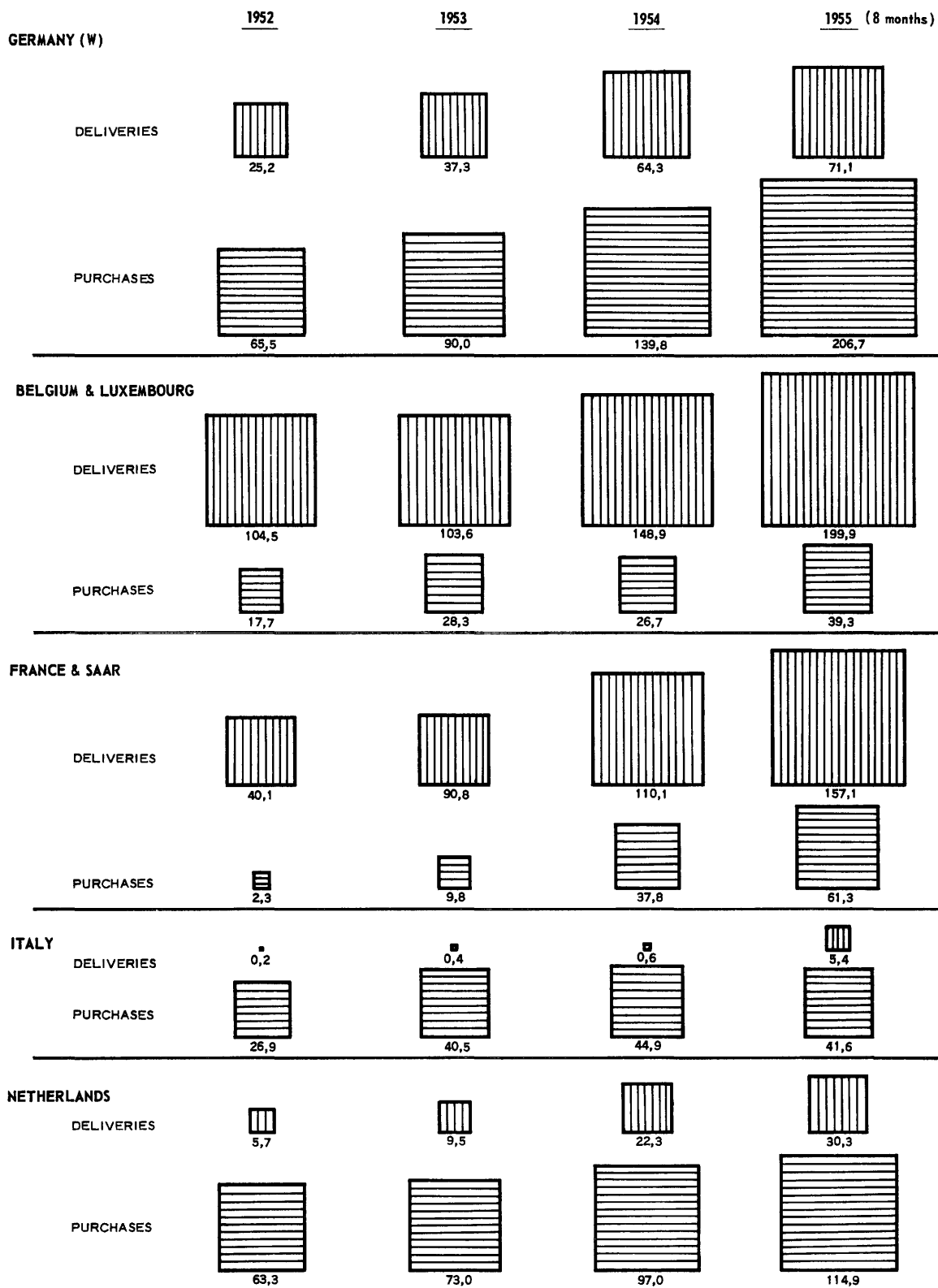
37.- 2. - Coal.- While trade in iron and steel products has developed freely and adjusted itself to the new conditions of the Common Market, the High Authority has had to take action in the coal market "to avoid sudden and harmful shifts in production" (Section 24 of the Convention). Thus, in the coalmining industry, the practice of price-alignment among Community enterprises was not authorized. A certain flexibility of the market has, however, been preserved by the authorization of zone-delivered prices, which amount to a kind of general automatic alignment in a particular geographical area.

As we have seen, notwithstanding these measures to check sudden changes, the volume of trade in coal increased considerably from 1952 to 1955 (+ 35 %).

(1) Figures for 1952 are based on a provisional questionnaire; figures from 1953 onwards are based on Customs statistics using the standard nomenclature of the Community.

(2) First eight months.

DEVELOPMENT OF TRADE IN IRON AND STEEL PRODUCTS BETWEEN COMMUNITY COUNTRIES



(Monthly averages in thousands of metric tons)

At the same time, certain switches in the flow of trade have begun to be apparent, as may be seen from the two following examples.

- The Aachen coalfield, in Germany, which before the days of the Common Market used to sell a large proportion of its production in the home market, has since 1953 been stepping up deliveries to other areas of the Community, particularly Belgium, France and Luxembourg.
- The Dutch Limburg coalfield, which also used to sell most of its production within the Netherlands, has considerably increased deliveries to Germany, Belgium and France.

At the same time, however, the High Authority has made use of the powers conferred on it by the Convention containing the Transitional Provisions to maintain or encourage the flow of trade in certain channels which, in view of the price-relations prevailing at the time when the Common Market was introduced, might otherwise have been exposed to disturbances.

- Considerable tonnages of Belgian coal were covered from June 1953 to March 1955 by a compensation scheme authorized under Section 26,2, c of Convention.
- Subsidies were authorized temporarily (they are to be decreased gradually as time goes on) to help the Saar and Lorraine to supply Southern Germany.

a) As regards hard coal, the increase in German home demand has resulted in a certain falling-off in deliveries to other Community countries, particularly Italy and the Netherlands.

GERMAN HARD-COAL DELIVERIES
(monthly averages in thousands of metric tons)

Country of destination	Year 1952	3rd qtr. 1954	3rd qtr. 1955
Belgium	26	188	89
France and Saar	309	366	287
Italy	249	329	229
Luxembourg	9	10	10
Netherlands	162	257	148
<u>Total:</u>	755	1 150	763

Deliveries from France and the Saar to other Community countries are, on the other hand, increasing, particularly to Western Germany and to countries such as Belgium and the Netherlands, which found their supplies from Germany falling off. This stepping-up of French deliveries has been encouraged by the authorization granted to the Nord/Pas-de-Calais coalfield to allow certain rebates during the second quarter of 1955 on sales to Germany and the Netherlands (1).

(1) Decision No. 4/55 of March 14, 1955, Official Gazette of the Community, March 16, 1955.

FRENCH AND SAAR HARD-COAL DELIVERIES

(monthly averages in thousands of metric tons)

Country of destination	Year 1952	3rd qtr. 1954	3rd qtr. 1955
Germany (W.)	328	337	441
Belgium	14	25	74
Italy	18	36	26
Luxembourg	3	12	13
Netherlands	0	1	51
<u>Total:</u>	373	411	605

Belgian deliveries to other Community countries increased during the first quarter of this year, but dropped again suddenly in the second. Belgian coal was, of course, covered up to and including the first quarter of 1955 by additional compensation on all deliveries over a certain tonnage to other Community countries. In consequence of the rise in Belgian home consumption, the Belgian Government felt it unnecessary to request the High Authority for permission to continue these payments during and after the second quarter of 1955. Deliveries in any case showed a tendency to rise again in the third quarter, without assistance by way of additional compensation. The increase was mainly in respect of deliveries to the Netherlands; sales to Italy meantime went down to nil.

BELGIAN HARD-COAL DELIVERIES

(monthly averages in thousands of metric tons)

Country of destination	Year 1952	3rd qtr. 1954	3rd qtr. 1955
Germany (W.)	2	7	50
France and Saar	91	96	93
Italy	56	60	2
Luxembourg	4	3	3
Netherlands	40	154	247
<u>Total:</u>	193	320	395

Deliveries by the Netherlands, which were nil in 1952, stood at 105 000 metric tons per month in the third quarter of 1954, though they subsequently dropped again to less than 60 000 metric tons per month in 1955. Sales were chiefly to Belgium and France.

Trade in hard coal among the countries of the Community, which reached its maximum in the first quarter of 1955, with over 2m. metric tons per month as against 1 300 000 in 1952, has been stabilized since April at slightly over 1 800 000 metric tons.

HARD-COAL TRADE WITHIN THE COMMUNITY

(monthly averages in thousands of metric tons)

	Year 1952	Year 1954	4th qtr. 1954	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
<u>Deliveries:</u>						
Germany (W.)	755	1 033	1 006	898	823	764
Belgium	193	357	461	536	364	395
France and Saar	373	427	486	546	565	605
Netherlands	-	77	74	67	52	59
<u>Total:</u>	1 321	1 894	2 027	2 047	1 804	1 823
<u>Purchases (1)</u>						
Germany (W.)	330	380	473	554	492	502
Belgium	40	229	203	194	185	190
France and Saar	400	483	474	429	414	401
Italy	323	370	328	318	251	259
Luxembourg	26	23	23	24	24	25
Netherlands	202	409	526	528	438	446
<u>Total:</u>	1 321	1 894	2 027	2 047	1 804	1 823

b) As regards coke, trade has become stabilized since the beginning of 1955 at a high level, about 745 000 metric tons per month, representing an increase of 42 % over the corresponding period in 1954.

Coking-plants in Germany, which are responsible for four-fifths of total deliveries, supplied approximately 600 000 metric tons per month during the first eight months of 1955 (mainly to the French and Luxembourg iron and steel industries), i.e. 50 % more than during the corresponding period in 1954.

GERMAN COKE DELIVERIES

(monthly averages in thousands of metric tons)

Country of destination	Year 1952	3rd qtr. 1954	3rd qtr. 1955
Belgium	-	5	5
France and Saar	287	188	287
Italy	-	3	4
Luxembourg	247	235	260
Netherlands	15	26	25
<u>Total:</u>	549	457	581

(1) Based on delivery statistics.

The general development of trade in coke, by countries of supply and countries of destination, is shown in the following table.

TRADE IN COKE WITHIN THE COMMUNITY
(monthly averages in thousands of metric tons)

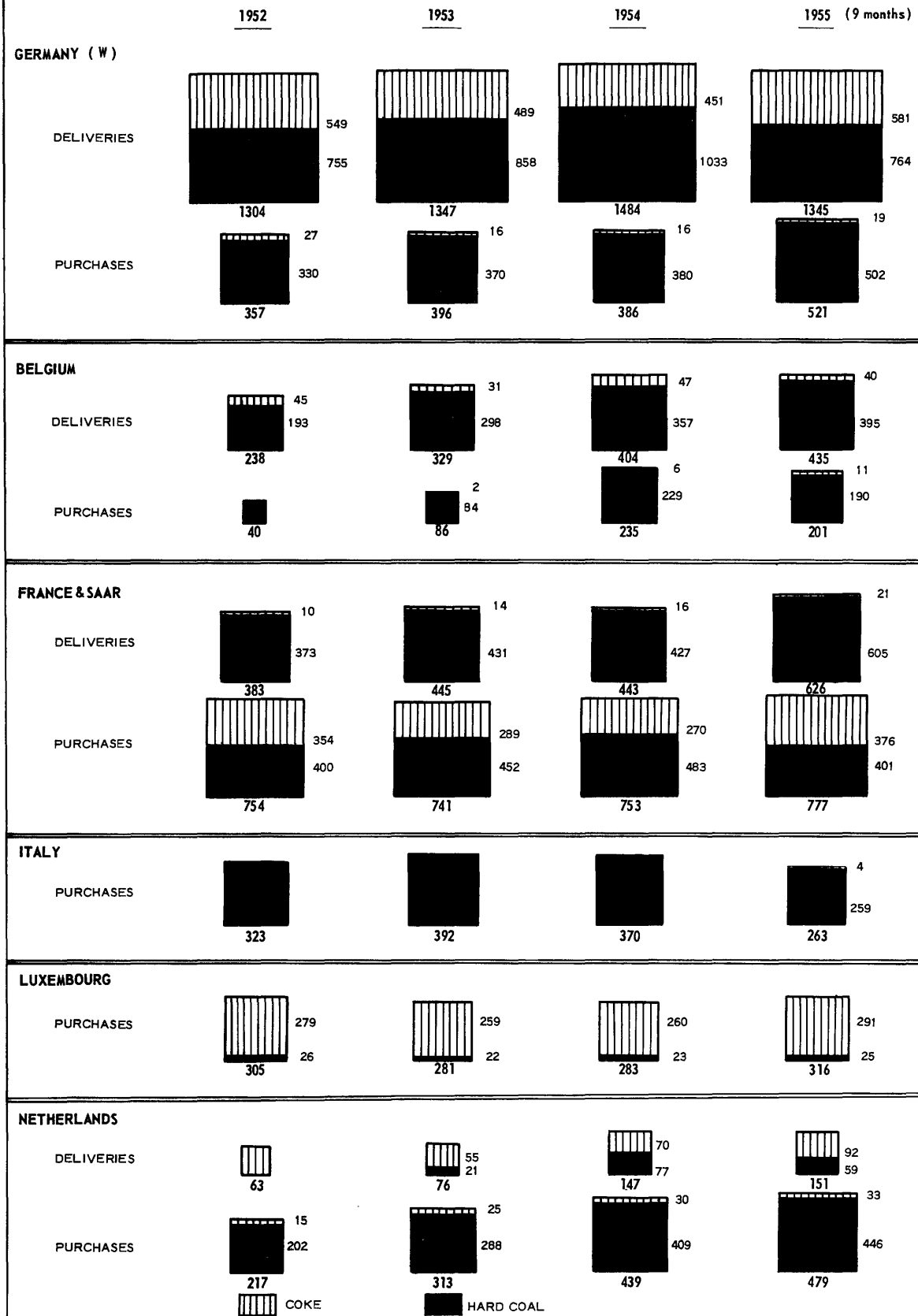
	Year 1952	Year 1954	4th qtr. 1954	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
<u>Deliveries:</u>						
Germany (W.)	549	451	552	608	589	581
Belgium	45	47	51	46	40	40
France and Saar	10	16	14	12	13	21
Netherlands	63	70	80	91	94	92
Total (1):	675	584	697	757	736	734
<u>Purchases: (2)</u>						
Germany (W.)	27	16	15	14	13	19
Belgium	0	6	8	13	10	11
France and Saar	354	270	346	383	389	376
Luxembourg	279	260	297	298	292	291
Netherlands	15	30	28	47	32	33
Total (1):	675	584	697	757	736	746

38.- 3. - Iron ore.- Trade in iron ore within the Community continued to increase in 1955. It had already risen from 784 000 metric tons per month in 1952 to 873 000 in the first year of the Common Market. During the first six months of 1954, i.e. at the time of the revival in the iron and steel industry, the figure was 860 000 metric tons per month, subsequently increasing to over 1m. in and after the first quarter of 1955.

These tonnages are accounted for mainly by deliveries by the Lorraine iron-ore mines to the Belgo-Luxembourg Economic Union.

(1) Including some small tonnages delivered and received by Italy.
(2) Based on delivery statistics.

DEVELOPMENT OF TRADE IN HARD COAL AND COKE BETWEEN COMMUNITY COUNTRIES



(Monthly averages in thousands of metric tons)

TRADE IN IRON ORE WITHIN THE COMMUNITY
(monthly averages in thousands of metric tons)

Country of supply	Country of destination	Year 1952	4th qtr. 1954	1st qtr. 1955	2nd qtr. 1955	Jul.-Aug. 1955
Germany (W.)	(Belgium and Luxembourg)	-	0.1	0.1	0.1	0.0
	(France and Saar)	4.3	4.4	1.2	0.6	2.8
	(Italy)	0.1	0.1	0.1	0.2	0.2
	(Netherlands)	-	0.1	0.0	0.0	0.0
	Total:	4.4	4.7	1.4	0.9	3.0
Luxembourg	(Germany (W.))	36.2	10.4	22.4	28.5	32.5
	(France and Saar)	0.9	0.4	1.2	1.0	4.5
	Total:	37.1	10.8	23.2	29.5	37.0
France	(Germany (W.))	31.6	5.6	24.8	36.3	26.3
	(Belgium and Luxembourg)	699.6	925.8	958.6	1 023.1	1 024.4
	(Netherlands)	11.0	18.2	12.2	12.2	11.4
	Total:	742.2	949.6	995.6	1 071.8	1 062.1

39.- 4. - Scrap.- Purchases of scrap by Community countries from other Community countries were very small before the introduction of the Common Market. They rose steeply up to the second quarter of 1955, but have been falling off again since June.

SCRAP PURCHASES (1)
(monthly averages in thousands of metric tons)

	4th qtr. 1954	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
Germany (W.)	24.3	15.3	13.3	4.7
Belgium	2.4	8.4	9.0	7.3
France and Saar	8.9	7.7	9.9	5.9
Italy	50.2	87.7	92.0	31.7
Luxembourg	4.3	1.1	0.6	0.3
Netherlands	1.9	2.3	0.7	1.1
Total:	92.0	122.5	125.5	51.0

(1) Based on the monthly figures of the Joint Office of Scrap Consumers.

THE TREND IN PRICES.-

40.- 1.- Iron and steel products.- The economic revival in the spring of 1954 had practically no effect to speak of on the steelworks' price-schedules for the whole of the rest of the year. A certain upward movement did, however, become noticeable within the margin of 2.5 % either way then allowed by the High Authority. After the decision authorizing this arrangement had been reversed by the Court of Justice in December, the increases in price resulted in changes in the schedules as from the beginning of 1955. The rise was, however, a very moderate one compared with the movements of prices which used to take place at times of pronounced economic activity. We may discern in this fact the stabilizing influence of the Common Market.

41.- The first of the following three tables shows the level of schedule-prices for basic Bessemer products in the Community at the beginning of 1954, i.e. before the recovery, and at the end of 1955, together with the home prices of basic open-hearth products in the United Kingdom and the United States.

It will be observed that the disparity between German and French prices, which was rather slight before the revival in the market, has increased, German prices for basic Bessemer being higher than French, except for heavy plate. Belgian prices are higher again, except for hoop and strip, and the same is true of Luxembourg and Netherlands prices; the latter are the highest of all, and even exceed those of Belgium and Luxembourg, except for heavy plate.

British prices are slightly above French for merchant bars and wire-rod, but below for all other products, particularly plate and sheet.

American prices are slightly higher than Belgian for merchant bars, joists and, more particularly, wire-rod. For hoop and strip and for heavy plate, however, they are much the same as French prices, and for heavy plate much the same as German. The prices for sheet are considerably lower than those in the Community.

The fact that the American iron and steel industry has for many years been making systematic use of continuous wide-strip mills enables it to sell sheet at a price below that of other products. In France and Germany, where strip-mills have not been in use for such a long period, the price of hot-rolled sheet is still 35 - 40 % above that of merchant bars.

SCHEDULE PRICES OF MAIN IRON AND STEEL PRODUCTS (BASIC BESSEMER)

as at February 1, 1954, and November 1, 1955 (1)

(prices in dollars per metric ton exclusive of turnover tax) - (2)

	Germany (W.) ⁽³⁾		Belgium		France		Luxembourg		Netherlands		U.K.		U.S.A.	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
Merchant bars	87.55	89.60	85.50	99.00	86.15	86.15	85.00	95.00	85.90	107.30	86.00	90.85	91.70	102.50
Joists	85.35	87.30	85.50	99.00	84.70	84.70	85.00	95.00	-	-	75.80	82.70	90.40	101.40
Hoop and strip	99.90	102.15	97.00	100.00	96.35	96.35	96.50	99.50	97.30	110.00	89.05	93.85	86.55	95.35
Wire-rod	87.30	91.20	83.00	100.00	84.70	86.40	84.80	95.00	83.90	107.50	85.00	89.35	99.75	110.80
Plate	95.75	98.05	98.00	110.00	101.35	101.35	97.00	103.50	97.30	101.25	80.75	88.35	90.40	99.20
Hot-rolled sheet	113.85	122.50	125.00	128.00	120.60	120.60	122.00	127.55	123.30	130.35	91.60	97.10 ⁽⁴⁾	86.55	95.35
Basing-points:	OBERHAUSEN; for plate and sheet, ESSEN and SIEGEN		SERAING		THONVILLE; for plate and sheet, MONT-MEDY		LUXEMBOURG		UTRECHT for merchant steels; ZWYNDRECHT for hoop, strip and wire-rod; VELSEN-BEVERWIJK for other products		Delivered prices less flat rate of \$ 2.80		PITTSBURGH	

(1) Basic open-hearth quality, employed for the most usual purposes in the U.K. and U.S.A., is here compared with basic Bessemer quality, employed for the same purposes in the Community.

(2) Conversion rates: \$ 1 = DM. 4.20, Bfr. 50, Ffr. 350, £ 0.357 (approx. 7 s. 1 1/2 d.).

(3) The German and Netherlands prices exclusive of turnover tax have been obtained by reducing the prices by 4 % for 1954, and by 4 % and 5 % respectively for 1955.

(4) The price given for British sheet as at November 1, 1955, is that of a new product very similar to Community sheet, between 2.75 and 3 mm. thick.

42.- The second table shows the schedule-prices at the same dates for open-hearth products in those Community countries which manufacture this quality.

As will be seen, the disparity between German prices (still the lowest in the Community) and French has increased. French prices are, however, lower than Belgian, whereas before the rise they were about the same. Italian prices are above Belgian, except for joists, for which they are much the same. Netherlands prices come midway between the French and the German figures for plate and sheet; for hoop and strip and for wire-rod they are more or less on a level with Belgian prices, and for merchant bars rather lower.

SCHEDULE-PRICES OF MAIN IRON AND STEEL PRODUCTS (OPEN-HEARTH QUALITY)
as at February 1, 1954, and November 1, 1955

(prices in dollars per metric ton exclusive of turnover tax) - (1)

	Germany		Belgium		France		Italy		Netherlands	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
Merchant bars	91.45	96.45	96.20	120.00	96.40	105.95	120.00	121.60	90.45	111.50
Joists	89.25	94.40	96.20	119.00	94.95	104.45	118.40	118.40	-	-
Hoop and strip	107.55	112.70	107.70	112.00	108.95	116.85	126.40	128.00	107.90	114.25
Wire-rod	93.50	98.30	99.70	113.00	96.70	104.35	113.60	121.00	96.50	111.75
Plate	103.20	108.80	110.00	130.00	113.70	121.70	132.80	139.20	101.85	111.25
Hot-rolled sheet	119.55	131.45	137.00	140.00	132.95	141.30	153.60	163.20	128.25	135.20
Basing-points:	OBERHAUSEN; for plate and sheet, ESSEN and SIEGEN		SERAING		THONVILLE; for plate and sheet, MONTMEDY		NOVI LIGURE		UTRECHT for merchant steels; ZWYNDRECHT for hoop, strip and wire-rod; VELSEN-BEVERWIJK for other products	
(1) The German and Netherlands prices exclusive of turnover tax have been obtained by reducing the prices by 4 % for 1954 and by 4 % and 5 % respectively for 1955.										

43.- The third table gives in indices the development of schedule-prices in the Community countries since the introduction of the Common Market, and of British and American home prices since the same date.

The first point to be noted is that the prices of open-hearth products have risen more steeply than those of basic Bessemer products. In Germany (except for sheet), in France (for all products) and in the Netherlands (for heavy plate), the schedule-prices of basic Bessemer products are still, despite the pressure of business, below the level prevailing directly after the introduction of the Common Market. In some countries the same is true in regard to certain open-hearth products, notably in Germany for wire-rod and heavy plate, and in Belgium for sheet.

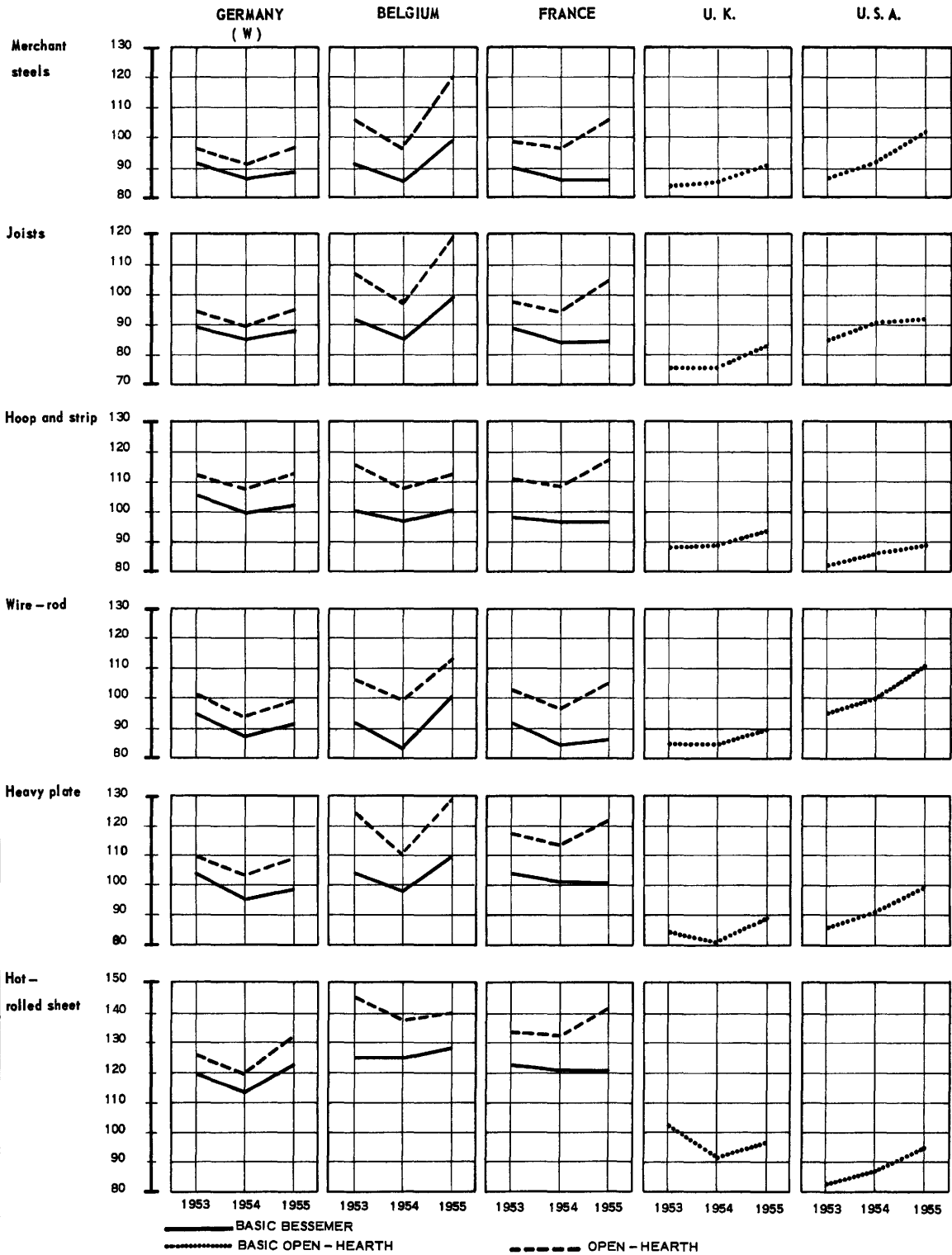
Secondly, we see that the biggest increases in prices since the revival have been in the Netherlands and Belgium. The most important of these are in respect of merchant steels, joists, wire-rod and heavy plate in Belgium, and of merchant steels and wire-rod in the Netherlands. These are, incidentally, the products which have been subject to the biggest price increases in the other countries also.

Finally, comparing the general trend in schedule-prices in the Community (for basic Bessemer steel) with that of home prices in the United Kingdom and United States (for basic open-hearth), we find that increases have been greater in the United Kingdom and, more particularly, the United States.

Thus by weighting according to production volume, we find a mean increase of 5 % in the Community prices of merchant steels since February 1, 1954, as against 5.6 % in British prices (which are not free like those of the Community enterprises) and 12 % in American prices for the same period.

SCHEDULE - PRICES OF THE MAIN IRON AND STEEL PRODUCTS

- as at May 20, 1953, February 1, 1954, and November 1, 1955 -



(in dollars per metric ton)

DEVELOPMENT OF SCHEDULE-PRICES IN THE COMMUNITY COUNTRIES
AND HOME PRICES IN THE UNITED KINGDOM AND UNITED STATES (1)

(prices as at February 1, 1954, and November 1, 1955,
prices as at May 20, 1953 = 100)

		Germany		Belgium		France		Luxembourg		Netherlands		U.K.	U.S.A.
		b.B.	o.h.	b.B.	o.h.	b.B.	o.h.	b.B.	o.h.	b.B.	o.h.	(2)	(2)
Merchant bars	1954	95.1	95.0	93.4	90.2	95.4	97.5	94.0	93.7	92.8	100.0	105.3	
	1955	97.3	100.2	108.2	112.6	95.4	107.2	105.0	117.0	114.3	105.5	117.7	
Joists	1954	95.0	95.0	93.4	90.2	95.3	97.5	94.0			100.0	106.5	
	1955	97.2	100.5	108.2	111.5	95.3	107.2	105.0			108.8	119.5	
Hoop and strip	1954	94.0	96.0	97.0	93.6	98.0	98.5	97.5	97.7	97.0	100.0	105.4	
	1955	96.1	100.6	100.0	97.3	98.0	105.6	100.5	110.0	103.3	106.3	116.1	
Wire-rod	1954	92.0	93.2	90.5	93.4	92.5	94.0	97.5	97.7	98.0	99.9	104.7	
	1955	96.2	98.0	109.1	105.9	94.4	101.4	109.2	125.2	113.4	104.9	116.2	
Plate	1954	95.0	96.0	93.8	88.4	97.0	96.6	93.3	91.7	93.2	100.0	105.1	
	1955	94.7	99.6	105.3	104.4	97.0	103.4	99.5	95.4	100.1	109.1	115.9	
Hot-rolled strip	1954	95.1	95.3	100.0	94.5	98.8	99.8	100.0	98.5	98.5	101.7	104.0	
	1955	102.3	104.7	102.4	96.6	98.8	106.0	104.5	104.2	104.2	114.9	114.5	

(1) Prices exclusive of turnover tax.

(2) Basic open-hearth, comparable with basic Bessemer employed for the same purposes in the Community countries.

44.- 2. - Coal.- As we have seen, the present vigorous economic activity has caused the coal market to become firmer both within the Community and all over Europe.

Price changes since the spring of this year have been mainly in connection with certain adjustments of schedules and zone-delivered prices, and with the Belgian compensation scheme.

As regards schedules, the maximum prices in the Ruhr coalfield were increased by an average of DM. 2.25, under a decision taken in May 1955, in consequence of a rise in miners' wages (1); the effect of this increase was lessened by the abolition of contributions by enterprises to housing funds. Adjustments up or down in the other coalfields have been fairly small.

There have been some changes in zone-delivered prices for sales of Saar and Lorraine coal to Germany, as a result of the introduction of international through-rates and the increase in Ruhr prices (2). The system for the sale of Saar coal to France has also been overhauled: the number of zones was increased, while the overall tonnage concerned was reduced (3).

Finally, after a careful study of the details of the Belgian compensation scheme and the results obtained so far, the High Authority decided, in agreement with the Belgian Government, to withdraw compensation from certain grades (low-volatile and dry-steam coal over 10 mm., semi-bituminous over 30 mm.) representing approximately one-third of Belgian production. At the same time, the High Authority reduced the compensation payments to certain collieries which will from now on be in a position to withstand competition in the Common Market with less assistance from outside (4). The new schedules lodged by the Belgian enterprises in respect of the grades whose prices had been freed (chiefly household coal) showed varying increases, as well as additional so-called "extras for quality" between Bfr. 40 and Bfr. 75 per metric ton; industrial grades, on the other hand, were reduced in price in conformity with the High Authority's decision. At the Belgian Government's request, the extras for quality were discontinued as from September 16, 1955, but three collieries in the Liège coalfield have since introduced "extras for source" amounting to Bfr. 75.

(1) Decision No. 20/55, Official Gazette of the Community, May 11, 1955.

(2) Decisions Nos. 16/55 and 17/55, Official Gazette of the Community, May 11, 1955.

(3) Decision No. 18/55, Official Gazette of the Community, May 11, 1955.

(4) Decision No. 22/55 and letter to the Belgian Government dated May 28, 1955, Official Gazette of the Community, May 31, 1955.

45.- An examination of the movements of prices reveals that since the introduction of the Common Market the disparity between the price-level of the Ruhr and that of the other Community coalfields has lessened a good deal.

This is shown in the following two tables. The first gives the trend of average prices in dollars for certain types and sizes between 1952 and 1955; the second gives the same trend in indices, on the basis of Ruhr prices in 1952 (1)-(2).

-
- (1) The 1952 prices are prices for sales in the home market. Export prices, even those for exports to other Community countries (which were not then part of the Common Market) were for the most part much higher. This system of dual pricing was abolished when the Common Market was introduced.
- (2) The types given in col. 1 of the accompanying table correspond to the following schedule descriptions in the different coalfields:

Anthracite

Anthrazitkohlen (Ruhr), 7-10 % volatile matter;
" (Aachen), < 10 % volatile matter;
Anthraciet, 1st group (Netherlands), 7-9 % or < 10 % V.M.
Maigres (Belgium), < 10 % V.M.
Maigres or anthracites (Nord/Pas-de-Calais), < 10 % V.M.

Low-volatile

Magerkohlen (Ruhr and Aachen), 10-14 % V.M.
Anthraciet (Netherlands), 9-12 % V.M.
1/4 gras (Belgium), 10-12.5 % V.M.
1/4 gras (Nord/Pas-de-Calais), 10-14 % V.M.

Semi-bituminous

Esskohlen (Ruhr), 14-19 % V.M.
3/4 Fettkohlen (Aachen), 16-19 % V.M.
3/4 vet-rookzwakkekolen (Netherlands), 15-20 % V.M.
3/4 gras (Belgium), 16-20 % V.M.
Demi-gras (Nord/Pas-de-Calais), 14-18 % V.M.

Bituminous

Fettkohlen (Ruhr), 19-28 % V.M.
3/4 Fettkohlen (Aachen), > 19 % V.M.
Vetkolen (Netherlands), 20-25 % V.M.
Gras A (Belgium), 20-25 % V.M.
Gras and 3/4 gras (Nord/Pas-de-Calais), > 18 % V.M.
Gras (Lorraine), 36-39 % V.M.
Gras (Saar), 33-40 % V.M.

High-volatile bituminous

Gas- and Gasflammkohle (Ruhr), 28-40 % V.M.
Gras B (Belgium), > 28.5 % V.M.
Flénus (Nord/Pas-de-Calais), > 30 % V.M.
Flambants secs (Lorraine and Saar), 40-42 % V.M.

COMPARATIVE DEVELOPMENT OF COAL PRICES SINCE 1952
for certain types and sizes in the main coalfields of the Community (1)

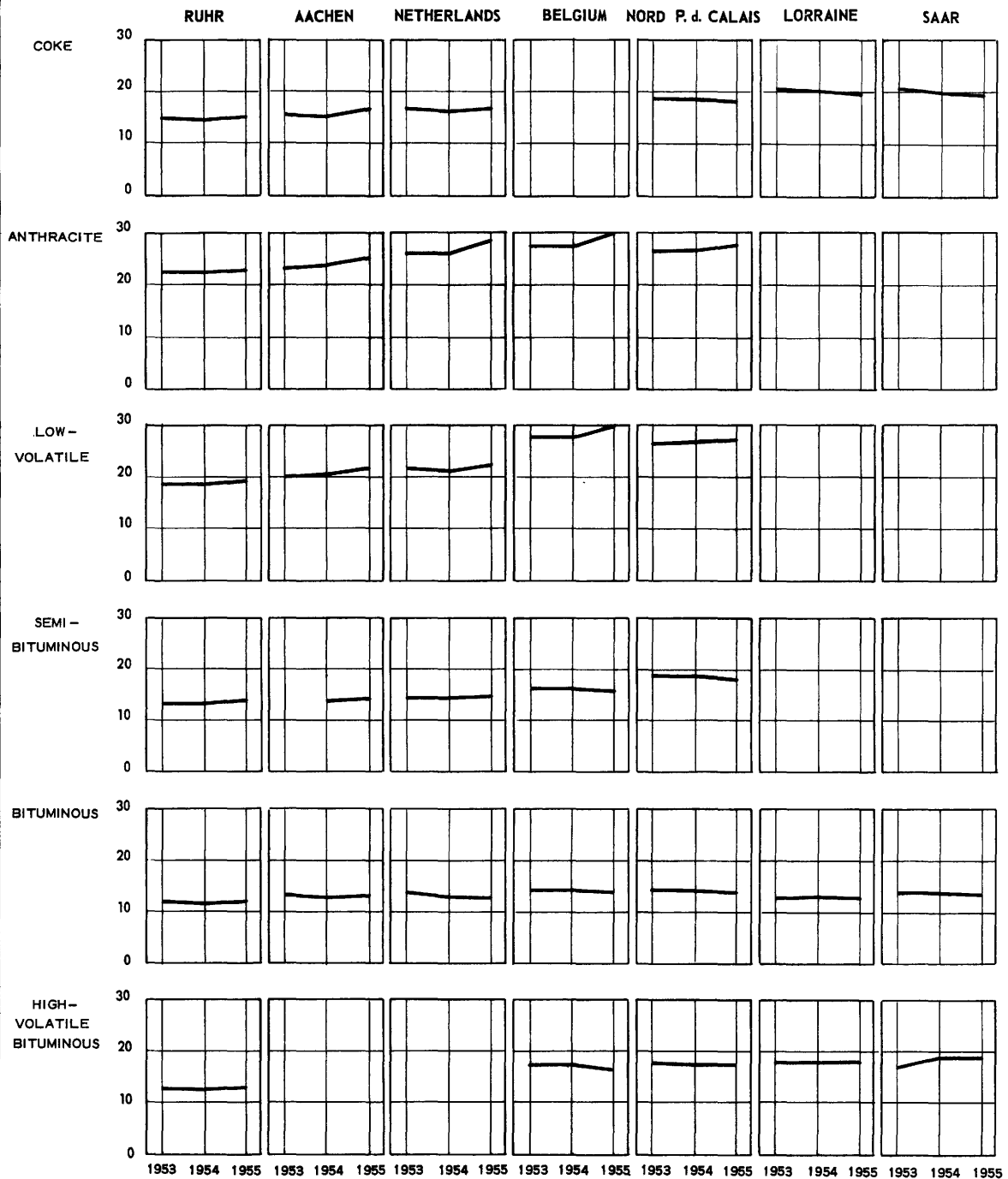
(in dollars per metric ton exclusive of turnover tax)

Type	Size	Year	Ruhr		Aachen		Netherlands		Belgium		Nord/P.d.C.		Lorraine		Saar	
			month	price	month	price	month	price	month	price	month	price	month	price	month	price
<u>Coke</u>	large	1952	May	13,94	May	13,94					May	18,66	May	20,14	May	20,14
		1953	Mar	14,63	Mar	15,88	Apr	16,63			Mar	18,80	Mar	20,29	Mar	20,29
		1954	Apr	14,17	Apr	15,43	Apr	16,13			Apr	18,80	Apr	20,00	Apr	19,71
		1955	Nov	14,85	Nov	16,57	Nov	16,67			Nov	18,09	Nov	19,57	Nov	19,29
<u>Anthracite</u>	French nuts	1952	May	19,20	May	19,20			Jun	27,14	May	26,06				
		1953	Mar	22,17	Mar	23,42	Apr	26,29	Mar	27,60	Mar	26,57				
		1954	Apr	22,17	Apr	23,88	Apr	26,29	Apr	27,60	Apr	26,86				
		1955	Nov	22,62	Nov	25,37	Nov	28,57	Nov	30,00	Nov	27,83				
<u>Low-volatile</u>	small nuts	1952	May	16,23	May	16,23			Jun	27,14	May	26,06				
		1953	Mar	18,74	Mar	20,00	Apr	21,71	Mar	27,60	Mar	26,57				
		1954	Apr	18,74	Apr	20,22	Apr	21,33	Apr	27,60	Apr	26,86				
		1955	Nov	19,20	Nov	21,82	Nov	22,49	Nov	30,00	Nov	27,26				
<u>Semi-bituminous</u>	singles	1952	May	11,65					Jun	17,22	May	19,66				
		1953	Mar	13,03			Apr	14,48	Mar	16,40	Mar	18,69				
		1954	Apr	13,03	Apr	13,71	Apr	14,48	Apr	16,40	Apr	18,69				
		1955	Nov	13,71	Nov	14,28	Nov	14,55	Nov	15,70	Nov	18,00				
<u>Bituminous</u>	washed duff or coking fines	1952	May	10,86	May	10,86			Jun	14,32	May	13,89	May	12,51	May	13,26
		1953	Mar	12,00	Mar	13,25	Apr	13,84	Mar	14,20	Mar	14,40	Mar	12,63	Mar	13,54
		1954	Apr	11,54	Apr	12,80	Apr	12,95	Apr	14,06	Apr	14,26	Apr	13,00	Apr	13,97
		1955	Nov	12,00	Nov.	13,37	Nov	12,96	Nov	13,82	Nov	13,71	Nov	12,66	Nov	13,43
<u>High-volatile bituminous</u>	doubles	1952	May	11,31					Jun	18,22	May	17,43	May	17,71	May	18,29
		1953	Mar	12,68					Mar	17,20	Mar	17,83	Mar	17,83	Mar	16,97
		1954	Apr	12,45					Apr	17,20	Apr	17,69	Apr	17,83	Apr	18,86
		1955	Nov	12,91					Nov	16,26	Nov	17,69	Nov	17,83	Nov	18,86
Taxes to be added		1952		4,16%		4,16%		4,16%		4,50%		7,93%		7,93%		9,11%
		1953		"		"		"		"		"		"		"
		1954		"		"		"		"		"		"		"
		1955		"		"		5,3 %		5 %		9,29%		9,29%		11,11%

(1) See previous page, footnote 2.

SCHEDULE - PRICES OF COAL FOR CERTAIN TYPES AND GRADES IN THE MAIN COALFIELDS OF THE COMMUNITY

- as in May 1953, April 1954 and November 1955 -



1) For exact designation of types and grades, see preceding table.

(in dollars per metric ton exclusive of turnover tax)

COMPARATIVE DEVELOPMENT OF COAL PRICES SINCE 1952

(RUHR PRICES = 100)

	May 1952 (1)	November 1955
<u>BELGIUM</u>		
Anthracite	141	133
Low-volatile	167	156
Semi-bituminous	148	115
Bituminous	132	115
High-volatile bituminous	161	126
<u>NORD/PAS-DE-CALAIS</u>		
Large coke	134	122
Anthracite	136	123
Low-volatile	161	142
Semi-bituminous	169	131
Bituminous	128	114
High-volatile bituminous	154	137
<u>LORRAINE</u>		
Large coke	144	132
Bituminous	115	105
High-volatile bituminous	156	138
<u>SAAR</u>		
Large coke	144	130
Bituminous	122	112
High-volatile bituminous	162	146
<u>NETHERLANDS</u>		
Large coke	114	112
Anthracite	119	126
Low-volatile	116	117
Semi-bituminous	111	106
Bituminous	115	108

46.- 3. - Iron ore.- Iron-ore prices remained pretty well unchanged, in spite of the increase in demand and the stabilization of production at a high level during 1955.

This stability is explained, on the one hand, by the fact that a considerable proportion of the iron-ore mines belong to, or are financially tied up with iron and steel enterprises, so that delivery terms are fixed by internal agreements; on the other hand, sales in the market are governed by delivery contracts generally covering a period of anything from five to fifteen years.

(1) May 1953 for the Netherlands.

Since the 10 % drop at the beginning of 1954, there have been the following changes: as from January 1, 1955, two mines in Western France have introduced an increase of approximately 5 %; as from June 1, 1955, the French mines have put their prices up by an average of 5 % for calciferous and 8 % for siliciferous ores.

47.- 4. -Scrap.- From the point of view of price, the situation in the scrap market, which was decidedly tight in late 1954 and early 1955, improved considerably from April onwards. This easing in the position was principally due to the reconstitution of the bodies set up in 1953 with High Authority permission, to the stepping-up of imports, and to savings in scrap consumption by the German steelworks. In addition, scrap recovery brought in bigger tonnages in the spring of 1955 than in previous years. (1)

The combined operation of these factors was further reinforced by the first effects of the High Authority's decision instituting financial arrangements to encourage the use of pig-iron in place of scrap in the production of open-hearth steel. (2)

The following table traces the movements of scrap prices ex-yard in the countries of the Community.

TREND IN SCRAP PRICES (3)

(in dollars per metric ton)

	Germany	Belgium	France & Saar	Italy	Luxembourg	Netherlands
<u>1954</u>						
April	27.32	27.00	25.50	28.50-30	27.00	28.00
May	27.32	28.00	25.50	29.40	28.00	28.00
September	32.80	33.00	31-32	34.00	33.00	34.00
December	32.80	35-37.50	32-33	-	35-37.50	34.00
<u>1955</u>						
January	37.50	35-43	36-38	-	35-43	38.50
February	37.50	43.90	38.00	46.35	42.00	38.50
March	37.50	43.90	40.00	46.35	39.00	38.50
April	37.50	40.75	42.50	46.35	39.00	44.50
May	37.50	38.40	38.50	44.00	38.00	40.75
June	37.50	33.45	35.50	38.75	36.00	40.75
July	36.20	33.60	33.50	35.45	31.00	36.00
August	36.20	41.80	33.50	35.45	35.00	36.00
September	36.20	41.80	36.00	37.10	35.00	41.00
October	35.50	39.70	35.50	39.55	35.00	38.00

(1) See Third General Report of the High Authority, April 1955, No. 116.

(2) Decision No. 26/55, Official Gazette of the Community, July 26, 1955.

(3) Prices ex-dealer's yard f.o.t. sending station or free on barge inland port, for basic quality No. 11 (including taxes). For Germany base zone No. 1, for other countries base zone No. 2.

Over and above these prices, the purchaser has to pay a compensation levy calculated each month on the basis of the tonnages imported and the import price payable. In September, the levy was \$ 6.40.

IMPROVEMENT OF CONDITIONS OF COMPETITION.-

48.- The essential principle on which the Common Market is based is that of regulated competition, in other words "conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity" (Article 2 of the Treaty).

A number of practices, listed in Article 4, are recognized as being irreconcilable with this principle, viz. Customs duties and quantitative restrictions; measures discriminating between one producer, buyer or consumer and another or hampering the buyer in the free choice of his supplier; subsidies; assistance or special charges by the State, and restrictive practices tending towards a division or exploitation of the markets.

Since the introduction of the Common Market, most of these impediments to competition have been eliminated, except where the Convention authorized their temporary retention, and where the High Authority, in view of properly-recognized difficulties, was obliged to act by stages. High Authority action is aimed at improving the conditions of competition, whether by progressively doing away with old practices, by supervising the application of the new rules, or by imposing disciplinary measures in cases of infringement.

We shall go on to examine the action taken by the High Authority during recent months along four main lines:

- gradual elimination of measures and practices which had been temporarily authorized (Italian Customs duties, French subsidies);
- supervision of the application of the rules on non-discrimination by the governments and enterprises;
- transport;
- agreements, monopoly practices and concentrations.

49.- Temporarily authorized measures and practices.-

1.- Customs duties in Italy.- Upon the introduction of the Common Market for ordinary steels (May 1953) and special steels (August 1954), the High Authority authorized the Italian Government, in application of Section 30 of the Convention, to retain for the time being the Customs duties imposed on iron and steel products imported from other member countries.

Duties on ordinary steels were reduced in July 1953, and again on May 1, 1955 (1).

Duties on certain special steels were reduced, as from August 1, 1955, to the same level as those on ordinary steels; the duties on the remainder are now under examination.

Further, in view of the rise in Italian imports of pig-iron from third countries, the High Authority requested the Italian Government on September 30 to suspend all duties on pig-iron from other Community countries.

(1) See letters sent to the Italian Government on April 29, 1953, July 6, 1953, and April 2, 1955, Official Gazette of the Community, May 4, 1953, August 14, 1953, and April 30, 1955.

2. - Subsidies in France.- The French Government was authorized, at the time when the Common Market was introduced, to continue for the time being its subsidies to certain works producing patent fuels, to the Lorraine and Saar coalfields in respect of their deliveries to Germany, and to the consumers of imported coke and coking coal (1).

These various subsidies have been progressively lowered or abolished. The total amount paid out, despite the increase in deliveries of Saar and Lorraine coal to Germany and in imports of coke, coking fines and briquetting fines, was reduced from Ffr. 13 300m. in 1953 to less than 8 000m. in 1955.

50.- Application of the rules on non-discrimination.- In a number of cases, the High Authority had to request the governments of member States to do away with laws or regulations which were resulting in discriminatory practices. This was recently done in particular in respect of

- an Italian law setting up a preferential system for deliveries of home-produced iron and steel products to the Italian shipbuilding industry (High Authority letter of September 30, 1955);
- dues of 0.5 % payable in Italy on deliveries of Treaty products from other Community countries (High Authority letter of October 10, 1955);
- a system of tax exemption in Belgium in respect of deliveries of home-produced products to Belgian public bodies (High Authority letter of September 29, 1955).

In other instances, the High Authority has made representations to Community enterprises as a result of spot-checks carried out. During the first ten months of this year, a number of warnings were sent to enterprises and associations of enterprises, and fines were imposed in five cases, involving a total sum equivalent to over \$ 33 000.

51.- Transport.- The introduction of transport regulations in conformity with the rules of the Common Market falls, as we know, into three stages - the elimination of discriminatory practices, the introduction of international through-rates, and the harmonization of transport charges and terms among the different countries.

The abolition of discriminations proper, which was for the most part carried out on and immediately after the introduction of the Common Market, was supplemented in 1955 by two further measures, viz.

- shipments of German fuels to France (in particular those from the Aachen coalfield) may in future pass through certain Franco-Belgian frontier stations hitherto reserved for Netherlands and Belgian fuels, a discrimination which was abolished on August 1, 1955;
- the French authorities are to permit exemptions from the provisions of the French Customs laws whereby French goods for delivery in France must be carried under the French flag.

(1) See Third General Report, Nos. 101 and 102, and Official Gazette of the Community, May 11, 1955.

The agreement on the introduction of international through-rates has been implemented in part, from May 1, 1955, onwards, in respect of coal and iron ore. Full implementation for these products will follow on May 1, 1956, and on the same date through-rates will be introduced in part in respect of iron and steel products and scrap.

The introduction of through-rates in itself represents a certain harmonization, namely the harmonization of the tapering mileage rates, which are now uniform up to distances of 200 and 250 kilometres, and subject to certain limits for greater distances. The member governments are to join with the High Authority in examining, not later than February 1957, the possibility of extending the standardization of tapering scales. At the same time, the Expert Committee on Transport has been continuing its study of the harmonization of tapering ratios, freight classification, terms for bulk transports and regulations concerning freight calculation according to tonnage. In connection with this last point, a provisional result has been achieved in respect of future tonnage regulations to be provided for in the through-rates for iron and steel products and scrap.

As regards inland water-transport, the problem presented by the disparity between internal and international freight-rates has still not been solved. The intergovernmental negotiations which have been taking place in the European Conference of Transport Ministers have not produced any formula which would be at once generally applicable, permanent and in accordance with the objectives of the Community. A further discussion is to be held between the representatives of the member States and the High Authority.

In addition, the Expert Committee has continued its examination of road-haulage problems. A difficulty which soon made itself felt was the lack of accurate information for most countries on traffic flows and rates charged. On the proposal of the Committee, the High Authority has notified the governments of certain measures to be taken to apply the provisions of Article 70,3 of the Treaty to road haulage.

52.- Agreements, monopoly organizations and concentrations.- The High Authority's function is to ensure the establishment and maintenance in the Common Market of conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States.

Wherever it is not explicitly obliged by the Treaty to take definite action to limit competition, as for instance in the event of an obvious glut or a serious shortage, the High Authority has to see that impediments to competition are eliminated in accordance with Treaty rules. Quite a number of courses are open to it in this regard : it may

- prohibit agreements between enterprises and concerted practices tending to restrict or distort the normal operation of competition (Article 65);
- grant prior authorization to concentrations of enterprises (Article 66,1-6);
- address recommendations to private or public enterprises occupying a dominant position in a substantial part of the Common Market (Article 66,7); and
- more generally, apply Articles 86-90, by which the member States bind themselves to refrain from any measures which are incompatible with the existence of the Common Market, and to facilitate the accomplishment of the Community's objectives.

1.- Agreements and monopoly organizations.- The agreements and organizations existing at the time when the six national markets were integrated to form the Common Market were of many different kinds. In the coal market, these differences were due

in particular to the fact that some countries mostly imported coal while others exported it, and also to the extent and methods of government intervention in economic affairs:

- in the German Federal Republic, fifty-five coalmining enterprises in the Ruhr, representing approximately one-half of the total production of the Community, upon the dissolution of the Deutsche Kohlen-Verkauf in February 1953 set up six selling agencies under a central organization, the Gemeinschaftsorganisation Ruhrkohle (GEORG);
- in France, a central buying organization, the Association Technique de l'Importation Charbonnière (A.T.I.C.), established in 1944, has the government's authority to conclude and sign all contracts for the import of coal. It works in close co-operation with O.R.C.I.S., the State-established buying agency of the iron and steel industry, and with certain other big consumers such as the French State Railways, and also acts on behalf of dealers specially authorized by the government to import, who must be members of a recognized Importers' and Wholesalers' Trade Association (oversea) - G.P.I.R. - or of the Importers' and Wholesalers' Trade Association (overland) - G.P.I.R.T.;
- in Belgium there is a selling agency, the Comptoir Belge des Charbons (COBECHAR), which is enabled both by its size and by its articles of association to play a decisive part in the marketing of Belgian production;
- in Southern Germany, sales of coal from the Ruhr, Aachen, Lorraine and Saar coalfields are the exclusive responsibility of a single joint organization, the Oberrheinische Kohlenunion (O.K.U.).

As long ago as June 1953, the High Authority informed the Common Assembly that investigations were in progress concerning all these organizations. In May 1954, they were told that they could not be authorized in their present form. Instead of simply dissolving them, however, the High Authority sought to arrange for them to be radically altered. To help do so, it had drawn up directives laying down the conditions under which it was prepared to authorize the existing organizations. On June 23, 1955, Vice-President ETZEL informed the Assembly that far-reaching and decisive announcements would be made at the November Session.

a) In regard to the Ruhr, the High Authority had already stated that it could not sanction the existence of a single monolithic central organization. It further refused to allow the selling of Ruhr coal to be divided between two agencies. It was, on the other hand, prepared to authorize three, or alternatively six, agencies with a joint office to co-ordinate their activities by means of a central reserve stock, in order to ensure balanced employment, or, at times of marked economic activity, a balanced flow of supplies.

Co-ordination is necessary mainly as a result of direct sales by the works not through the agencies, in connection with the so-called Werkselfstverbrauch (sales to works belonging to the same enterprise as the collieries) and Landabsatz (direct sales by the collieries to consumers in the surrounding area). Direct sales of this type are not so important for the collieries attached to the selling agencies.

In the interests both of balanced employment and of supplies to other consumers not obtaining coal for purposes of Werkselfstverbrauch or Landabsatz, it is important that the mine-owning enterprises have stated their willingness to limit, of their own accord, the extent to which they will in future make use of their privilege in connection with Werkselfstverbrauch.

Delays in the discussions have made it possible to study in greater detail the problems raised in regard to supplies by the present state of the market. At times when demand is in excess of supply although no official shortage has been declared, the High Authority authorizes limited and controlled co-ordination of supplies,

provided all coal allocations are equitable and non-discriminatory.

At the time of going to press, the Ruhr enterprises are preparing applications for authorization in accordance with High Authority directives.

The collieries have started discussions with representatives of miners, dealers and consumers of Ruhr coal in the Community on the setting-up of a special advisory body. The governments and the High Authority are also represented at these talks. If such a body to be set up by independent agreement, the High Authority would not need to established one itself, as it is required to do by the directives.

b) In regard to the rules fixed by the French Government concerning coal imports, progress has been made in the clarification of views. The French Government is apparently willing to associate itself with the High Authority on the following points: abolition of compulsory joint buying for the iron and steel industry, establishment of a non-discriminatory definition of the term "wholesaler", opening-up of the Importers' Association to all dealers authorized to import. Opinions still appear to differ, on the other hand, regarding the fact that French buyers of coal from other Community countries can deal only with the producers and not the dealers of those countries, and also regarding A.T.I.C.'s sole right to conclude import contracts.

If these differences persist, the High Authority will, before taking a final decision, give the French Government an opportunity of submitting any comments it may wish to make, in conformity with Article 88 of the Treaty.

c) The Belgian coal-selling organization took a decision in principle, by which it undertook to bring its articles of association and activities in line with the provisions of the Treaty upon notification by the High Authority of the points requiring to be changed. These points have just been settled in line with the principles laid down in the directives concerning the Ruhr organizations, mutatis mutandis. They were discussed with the management of the organization, who submitted them for the approval of the other departments of the organization.

d) In regard to O.K.U., the High Authority does not sanction joint selling by four coalfields representing almost two-thirds of the total production of the Community, or joint selling by the three Ruhr agencies in Southern Germany. O.K.U. does, however, perform a necessary function in connection with freighting and supplying, which is very specially conditioned by the particular circumstances prevailing in the South German market, which receives a great part of its supplies by water. As a result of the variations in the water level and the structure of consumption, it would seem advisable in the general interest to take advantage of the favourable situation as regards inland navigation to build up stocks, which would then be available for use in periods when the transport position is less satisfactory. O.K.U. performs special tasks at times when water-borne tonnages decrease and it is only by means of arrangements from a central headquarters that available capacities can be used to the best advantage. The High Authority is prepared to authorize activities of this kind, which are of value chiefly to consumers in Southern Germany, provided the fact that a dealers' organization is engaged on such work does not appreciably impede competition in the South German market.

The High Authority has drawn up directives which have been duly forwarded to the parties concerned.

e) In regard to the government office in the Grand Duchy of Luxembourg dealing with imports of solid fuels, the High Authority has noted the amendments made by the Luxembourg Government to the provisions in force. It reserves the right to form an opinion on the effect of these changes in the light of practical experience.

f) Finally, in sectors other than of coal, the High Authority has also continued its examination of a number of applications for the authorization of agreements between enterprises; in a number of cases it has reached the conclusion that no authorization was required. On the other hand, it has rejected one application for joint buying of scrap, submitted by an association of iron and steel enterprises in Germany (1).

2.- Concentrations.- During the last few months, the High Authority has granted several applications for the authorization of concentrations between Community enterprises, viz.

a) a concentration between two iron and steel enterprises which together produce close on 1 800 000 metric tons of crude steel per annum, and indirectly control the production of 2 800 000 metric tons (the terms of the authorization forbid any merger of the sales departments of the two enterprises);

b) a concentration between an iron and steel enterprise (approx. 1 500 000 metric tons of crude steel), a coalmining enterprise (approx. 6m. metric tons), and certain processing enterprises;

c) a concentration between an iron and steel enterprise with a very extensive production programme and an enterprise specializing in the manufacture of special steels;

d) a concentration between two coal wholesale enterprises marketing in all nearly 650 000 metric tons of coal per annum.

Those concentrations regarded by the High Authority as permissible did not (in comparison with the size of similar concentrations already existing in the Common Market) make it possible for the enterprises concerned to impede competition within the meaning of the Treaty, or to evade the rules of competition consistent with the Treaty by establishing an artificially privileged position regarding access to supplies or markets.

The concentrations between producers which the High Authority has examined were mainly dictated by the desire to specialize, by harmonizing production programmes, or to rationalize, by setting up joint finishing-ends (e.g. in connection with rolling-mills). The main effect of such action is to enable the concentrating enterprises to reduce their production costs and to avoid duplications in connection with investments. In addition, we may note the tendency for concentrating enterprises to provide against market fluctuations by integrating the sources of raw materials (e.g. coalmines and coking-plants) and processing works (e.g. tube-making works, wire-drawing works, etc.).

The enterprises wishing to concentrate vary considerably in size. The existence of the Common Market seems to have had a particular influence on concentrations of collieries. Today, the smaller enterprises are finding themselves in competition with the bigger units of other Community countries. By concentrating, numbers of small enterprises are managing to improve their competitive position. The trend towards concentration would appear to have been encouraged by the Treaty's provisions on cartels.

(1) Decision No. 28/55 and letter of July 20, 1955 (Official Gazette of the Community, July 26, 1955).

Section 4 - THE COMMON MARKET AND THIRD COUNTRIES

53.- The Common Market is not and cannot be a self-sufficient economic entity. Both the structure of its production and its system of supply and operation make it of necessity an open market.

In 1955, the member countries exported to third countries 15 % of the Community's iron and steel production, 4.6 % of its hard coal, and 8% of its coke. At the same time, they imported 7.5 % of the apparent hard-coal consumption of the Community, 17.5 % of its iron-ore consumption, and 12 % of the total scrap consumption of its steelworks.

Apart from Customs duties, which were lowered on the introduction of the Common Market, there are now hardly any restrictions on trade with third countries. In France, the quota system for imports of special steels from O.E.E.C. countries was considerably relaxed in 1955: import restrictions on high-carbon steels were abolished as from April 1, and on dynamo sheet as from September 2.

The only quantitative restrictions left on exports by Community countries to third countries are in respect of scrap.

IRON AND STEEL PRODUCTS

54.- Exports. Exports of iron and steel products to third countries rose during the first eight months of 1955 to an average of 624 500 tons per month. This represents an increase of 14.1 % over the monthly average for 1954, and 12.8 % over that for 1952.

Imports went up from 1954 to 1955, though in very widely-varying degrees, in all the countries of the Community, with the exception of Germany and Luxembourg. The 1952 level was exceeded everywhere except in Belgium and in Luxembourg.

TREND IN EXPORTS OF IRON AND STEEL PRODUCTS TO THIRD COUNTRIES (1)

	<u>1952-55</u>	<u>1954-55</u>
Germany (W.)	+ 11.5 %	- 5.3 %
Belgium	- 3.1 %	+ 8.4 %
France & Saar	+ 42.2 %	+ 34.9 %
Italy	+ 544.4 %	+ 65.7 %
Luxembourg	- 27.1 %	- 0.1 %
Netherlands	+ 57.6 %	+ 20.5 %
<u>Community:</u>	+ 12.8 %	+ 14.1 %
	=====	=====

Exports in 1955 to the United Kingdom, which is, with the United States, the biggest buyer, are more than 35 % above the mean level for 1954 (admittedly a very low one in comparison with previous years). Exports to Sweden and Switzerland in 1954 equalled the high 1952 level, and in 1955 even exceeded it. Exports to certain Eastern European countries, other than the Soviet Union, also show an increase, as do those to countries in the Near and Middle East.

(1) Monthly average of the first eight months for 1955, and of the whole year for 1952 and 1954.

There has been a drop in exports to areas where Community goods are in competition with American products, viz. the United States, Canada, and certain markets in South America.

DEVELOPMENT OF EXPORTS OF IRON AND STEEL PRODUCTS BY COUNTRIES OF ORIGIN

(monthly averages in thousands of metric tons)

	1952	1953	1954	1955 ⁽¹⁾	1st qtr. 1955	2nd qtr. 1955	Jul.- Aug. 1955
Germany (W.)	101.9	87.9	119.9	113.6	104.5	123.8	111.8
Belgium	159.0	140.7	142.2	154.0	160.2	164.6	128.9
France & Saar	168.3	196.8	177.4	239.2	230.3	267.2	210.9
Italy	1.8	5.8	7.0	11.6	9.7	13.0	12.2
Luxembourg	102.8	92.0	74.8	74.9	72.9	74.5	78.2
Netherlands	19.8	25.9	25.9	31.2	26.1	30.5	40.0
<u>Community:</u>	553.6	549.1	547.2	624.5	603.7	673.6	582.0

55.- The proportion of exports to third countries in the production of the Community is approximately 15 %. The Community's share in the supplying of third countries has increased at much the same rate as its production generally.

RATIO OF EXPORTS TO THE PRODUCTION OF THE COMMUNITY (2)

<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u> (3)
16.3 %	17.0 %	15.3 %	15.0 %

56.- The main features in the development of exports between 1952 and 1955 are a drop in the proportion of unfinished and semi-finished products sold, stability in the case of finished products, and an increase in end-products (tinplate, coated sheet, dynamo sheet, etc.).

The general tendency within each separate group of products seems to be towards an increase in the proportion of further-processed goods exported.

(1) First eight months.

(2) Exports in crude-steel ingot equivalent as against crude-steel production.

(3) First seven months.

CHANGES IN THE PATTERN OF EXPORTS OF
IRON AND STEEL PRODUCTS BY TYPES OF PRODUCT (1)

	1952	1954	1955
Pig-iron and ferro-alloys	9.9 %	5.7 %	5.7 %
Ingots and semis	8.0 %	9.6 %	8.5 %
Wide hot-rolled coils	-	0.1 %	0.2 %
<u>Total, crude and semi-finished products</u>	<u>17.9 %</u>	<u>15.4 %</u>	<u>14.4 %</u>
Permanent-way material	6.5 %	4.3 %	5.4 %
Sections (heavy and light)	46.6 %	43.7 %	43.0 %
Wire-rod	4.7 %	4.4 %	4.4 %
Hoop and strip	3.4 %	3.8 %	3.9 %
Plate and sheet, universals	15.3 %	18.6 %	18.5 %
<u>Total, finished products</u>	<u>76.5 %</u>	<u>74.8 %</u>	<u>75.2 %</u>
<u>End-products</u>	<u>5.6 %</u>	<u>9.8 %</u>	<u>10.4 %</u>
<u>Total:</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<u>Monthly average</u> (in thousands of metric tons)	<u>553.6</u>	<u>547.2</u>	<u>624.5</u>

57.- Imports.- Imports of iron and steel products from third countries averaged 123 000 metric tons per month during the first eight months of 1955, an increase of about 53 % over 1954 and 89 % over 1952.

Imports represent approximately 3.5 % of apparent steel consumption for 1955 as against 2.3 % for 1952. (2)

TREND IN IMPORTS OF IRON AND STEEL PRODUCTS (3)

	<u>1952-55</u>	<u>1954-55</u>
Germany (W.).	+ 92.2 %	+ 66.3 %
Belgium	+ 131.1 %	+ 37.9 %
France & Saar	- 41.3 %	+ 12.1 %
Italy	+ 133.8 %	+ 33.8 %
Netherlands	+ 87.0 %	+ 120.5 %
<u>Community:</u>	<u>+ 88.8 %</u>	<u>+ 53.1 %</u>

(1) Comparison is between the monthly averages for 1952, 1954 and the first eight months of 1955.

(2) Imports in crude-steel ingot equivalent as against crude-steel production.

(3) Monthly averages for 1952, 1954 and the first eight months of 1955.

The principal supplier is still Austria, whose 1955 sales - to Germany and, in particular, to Italy - were more than 80 % above the level for 1952.

Next comes the United States, whose sales are rising in all the countries of the Community except France and the Saar.

Imports from the United Kingdom and Japan are declining.

DEVELOPMENT OF IMPORTS OF IRON AND STEEL PRODUCTS

(monthly averages in thousands of metric tons)

	1952	1953	1954	1955 ⁽¹⁾	1st qtr. 1955	2nd qtr. 1955	Jul.-Aug. 1955
Germany (W.)	15.4	16.9	17.8	29.6	23.5	31.3	36.3
Belgium	7.4	8.7	12.4	17.1	14.0	20.1	17.4
France & Saar	6.3	8.3	3.3	3.7	2.6	4.0	4.8
Italy	19.8	27.6	34.6	46.3	50.6	43.4	44.3
Netherlands	13.8	14.5	11.7	25.8	22.6	24.5	32.3
<u>Community:</u> ⁽²⁾	65.2	76.5	80.4	123.9	114.2	123.8	135.1

58.- The changes in the pattern of imports primarily reflect the economic situation as a whole: in 1955 and 1952, when business was very good, the proportion of crude and semi-finished products was comparatively high, whereas in 1954, when business began to recover (and more particularly in 1953, when it was slack), the proportion of finished products was quite noticeably higher than in 1955. This dual trend would suggest that during slack periods finished products are more affected by outside competition, whereas at times of marked economic activity the production capacities for crude and semi-finished products appear to reach their maximum utilization more rapidly in the Community than they do in some third countries.

Again, it may be noted that within the category of crude and semi-finished products, the increase has been greater in the case of ingots, semis and coils.

Finally, as regards finished products, the decline in the proportion of plate and sheet imported may be taken as reflecting the rate of development of production capacities within the Community.

(1) First eight months.

(2) Including Luxembourg, whose imports are negligible.

CHANGES IN THE PATTERN OF IMPORTS OF IRON AND
STEEL PRODUCTS BY TYPES OF PRODUCT (1)

	1952	1954	1955
Pig-iron and ferro-alloys	42.2 %	33.0 %	38.9 %
Ingots and semis	7.2 %	6.5 %	14.5 %
Wide hot-rolled coils	4.6 %	8.9 %	10.5 %
<u>Total, crude and semi-finished products</u>	<u>54,0 %</u>	<u>48,4 %</u>	<u>63,9 %</u>
Permanent-way material	0.2 %	0.0 %	0.9 %
Sections (heavy and light)	9.8 %	4.2 %	4.5 %
Wire-rod	2.0 %	3.1 %	3.0 %
Hoop and strip	1.0 %	0.7 %	0.4 %
Plate and sheet, universals	14.6 %	21.9 %	9.1 %
<u>Total, finished products (2)</u>	<u>27.6 %</u>	<u>29.9 %</u>	<u>17.9 %</u>
<u>End-products</u>	<u>18.4 %</u>	<u>21.7 %</u>	<u>18.2 %</u>
<u>Total:</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<u>Monthly average</u> (in thousands of metric tons)	<u>65.2</u>	<u>80.4</u>	<u>123.1</u>

59.- Export prices.- In former times, whenever there was marked economic activity, export prices of steel went up much higher and faster than home-market prices, which were usually strictly controlled by the governments. Thus between 1948 and 1952 export prices rose to almost double the home-market quotations.

When the Common Market was introduced in 1953, export prices were below the prices charged within the Community countries. The export prices agreed among the Community producers have been progressively raised, from the first six months of 1954 onwards to the level prevailing in the Common Market and their development has then since followed the general trend.

Between April 1, 1954, and the end of October 1955, the export price of merchant steels to most destinations and for most transactions rose from \$ 80 to \$ 105.

(1) Comparison is between the monthly averages of 1952 and 1954 and the monthly average for the first six months of 1955.

(2) Including special steels.

DEVELOPMENT OF SCHEDULE-PRICES AND EXPORT PRICES OF MERCHANT STEELS
(BASIC BESSEMER QUALITY)

(in dollars per metric ton)

	Community Schedule-prices recalculated f.o.b. Antwerp					Export prices of Community producers f.o.b. Antwerp to	
	Germany	Belgium	France	Luxembourg	Netherlands	USA and Canada	Other countries (Switzerland excepted)
1. 7.1953	96.10	94.50	97.30	97.50	92.70	87.00	93.00
1.10.1953	91.55	94.50	97.30	97.50	92.70	84.00 - 91.50 (1)	93.00
1. 1.1954	91.55	94.50	97.30	97.50	92.70	80.00	80.00
1. 4.1954	91.55	88.50	93.15	92.00	86.90	82.00	80.00 - 82.00 (2)
1. 7.1954	91.55	88.50	93.15	92.00	86.90	82.00	84.00 - 86.00 (2)
1.10.1954	91.55	88.50	93.15	92.00	86.90	82.00 - 84.00 (2)	84.00 - 86.00 (2)
1. 1.1955	91.55	88.50	93.15	92.00	96.20	86.00 - 88.00 (2)	96.00
1. 4.1955	91.55	99.00	93.15	102.00	105.90	86.00 - 88.00 (2)	100.00
1. 7.1955	93.60	102.00	93.15	102.00	108.30	86.00 - 88.00 (2)	100.00
1. 9.1955	93.60	102.00	93.15	105.00	108.30	96.00	102.00
25.10.1955	93.60	102.00	93.15	102.00	108.30	102.00	105.00

(1) According to size or section.
(2) According to destination.

60.- If we compare the Community producers' export prices with British and American prices, we see that they are lower for merchant steels, joists and wire-rod, but as high or higher for most flat products. The disparities are, in general, the same as were noted previously in respect of home-market prices in the Community, the United Kingdom and the United States. (1)

BASIC EXPORT PRICES OF IRON AND STEEL PRODUCTS (1)

as at October 25, 1955

(in dollars per metric ton exclusive of turnover tax) (2)

	Community (3) (minimum prices f.o.b. ANTWERP by destinations)		U.K. prices f.o.b. British port	U.S.A. (prices f.o.b. Atlantic port)
	North America	Other countries (Switzerland excepted)		
Blooms for bars	90.00	90.00	-	-
Sheet-bars	100.00	100.00	-	-
Merchant-bars	102.00	105.00	104.30 - 112.45 (7)	109.00 - 125.40 (7)
Sections	102.00	105.00	111.35	112.50
Hot-rolled strip	102.00	107.00	104.30	110.25 - 111.60 (7)
Wire-rod	107.00	107.00	114.85	-
Heavy plate	114.00	114.00	108.25	124.00
Medium plate	114.00	114.00	103.60	140.55
Hot-rolled sheet (4)	143.00	143.00 - 150.00 (6)	103.60	122.65 - 144.70 (6)
Cold-rolled sheet (5)	150.20	150.20 - 157.20 (6)	130.30	128.15 - 151.55 (6)

(1) Basic Bessemer steels for the Community, basic open-hearth for U.K. and U.S.
(2) Conversion rate: \$1 = £ 0.357 (approx. 7s. 1 1/2d.)
(3) These prices (which are fixed by agreement among the producers) are given for guidance, to be read as f.o.b. ANTWERP.
(4) Sheet from 2.75 up to but not including 3 mm. in the Community, from 2.5 up to but not including 3 mm. in the U.K., and 2.75 mm. and over in the U.S.
(5) Sheet of 1 mm. in the Community, 1 - 1.4 mm. in the U.K., and 1 mm. and over in the U.S.
(6) According to destination.
(7) According to size or section.

(1) See No. 41 above.

COAL

61.- Hard-coal exports.- Hard-coal exports went up from the beginning of 1954 to about 1m. metric tons per month in the first quarter of 1955. They decreased slightly in July and August.

The monthly average of exports for the first nine months of 1955 was 39.1% above that for 1954, and 14.2 % above that for 1952.

TREND IN HARD-COAL EXPORTS (1)

	<u>1952-55</u>	<u>1954-55</u>
Germany (W.)	- 6.2 %	- 21.9 %
Belgium	+ 815.8 %	+ 50.0 %
France	+ 597.8 %	+ 193.5 %
Saar	+ 271.7 %	+ 54.1 %
Netherlands	+ 800.0 %	+ 0.0 %
<u>Community:</u>	<u>+ 146.2 %</u>	<u>+ 39.1 %</u>
	=====	=====

This increase is accounted for mainly by an appreciable stepping-up of exports from France, the Saar and Belgium to the United Kingdom, which first began to buy from the Community in July 1953.

Since the United Kingdom is at present by far the biggest outside market for Community hard coal, the British Government's decision in July 1955 to reduce coal exports substantially after January 1, 1956, will undoubtedly mean a considerable reduction in trade with the Community. On the other hand, third countries hitherto supplied by Britain will probably buy larger tonnages of Community coal.

The decline in German exports was mainly in those to Austria, and in a lesser degree to the United Kingdom. There was an increase in exports to the Scandinavian countries.

DEVELOPMENT OF HARD-COAL EXPORTS TO THIRD COUNTRIES
(monthly averages in thousands of metric tons)

<u>Country of origin</u>	1952	1953	1954	1955(2)	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
Germany (W.)	259	272	311	243	289	213	226
Belgium	19	49	116	174	177	179	165
France	45	73	107	314	345	355	243
Saar	46	91	111	171	179	175	161
Netherlands	1	4	9	9	7	9	12
<u>Community:</u>	<u>370</u>	<u>489</u>	<u>654</u>	<u>911</u>	<u>996</u>	<u>930</u>	<u>807</u>
<hr/>							
<u>Country of destination</u>							
United Kingdom	-	47	198	429	494	476	318
Scandinavian countries	61	87	82	126	148	125	105
Switzerland	90	89	130	159	141	154	183
Austria	146	175	173	126	166	116	95
Other countries	73	91	71	71	47	59	106
<u>Total:</u>	<u>370</u>	<u>489</u>	<u>654</u>	<u>911</u>	<u>996</u>	<u>930</u>	<u>807</u>

- (1) Monthly averages of the first nine months for 1955 and of the whole year for 1952 and 1954.
- (2) Monthly averages for the first nine months.

62.- The proportion of Community hard-coal production exported to third countries rose from less than 2 % in 1952 to 2.5 % in 1953, 3.2 % in 1954 and 4.6 % in 1955. Although the Common Market itself was rather tight, exports to third countries increased much more quickly than production.

63.- Coke exports.- Coke exports diminished slightly between the last quarter of 1954 and the second quarter of 1955. In July and August an increase began to be observable.

The monthly average for the first eight months of this year is slightly below that for 1954, but is still above the 1952 level.

Exports by Western Germany, the principal exporter country, have decreased from last year's figures for all destinations except Scandinavia and Hungary; they now stand at much the same level as in 1952.

COKE EXPORTS TO THIRD COUNTRIES
(monthly averages in thousands of metric tons)

<u>Country of origin</u>	1952	1953	1954	1955(1)	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
Germany (W.)	355	268	369	344	410	300	323
Belgium	35	38	27	25	18	13	44
France & Saar	4	6	9	13	5	9	25
Italy	4	4	4	2	-	-	5
Netherlands	53	48	52	59	55	56	67
<u>Community:</u>	431	364	462	443	488	378	464
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<u>Country of destination</u>							
United Kingdom	2	-	-	-	6	-	-
Scandinavian countries	308	254	289	311	379	247	308
Switzerland	50	44	50	51	15	72	66
Austria	21	24	28	25	20	29	26
Other countries	50	42	94	56	74	30	64
<u>Total:</u>	431	364	461	443	488	378	464

64.- The proportion of the total coke production going in exports was 8 % in 1955 as against 8.3 % in 1952 and 9.3 % in 1954. Coke exports increased faster than production in 1954, but developed more or less at the same rate during 1955.

65.- Hard-coal imports (2). Hard-coal imports from third countries increased rapidly during the current year, rising from 1 300 000 metric tons in the first quarter to over 2m. in the third.

The monthly average for the first nine months of 1955, which is only 8.8 % below that for 1952 and as much as 45.7 % above the level for 1954.

In all the Community countries, the 1954 level was exceeded, in varying degrees, in 1955, particularly in Germany, Italy and Belgium. The Belgian figures are almost up to 1952 level, while the Italian ones are considerably above it.

(1) Monthly averages for the first nine months.

(2) Coke imports are negligible.

TREND IN HARD-COAL IMPORTS

	<u>1952-55</u>	<u>1954-55</u>
Germany (W.)	- 5.9 %	+ 91.0 %
Belgium	+ 3.1 %	+ 42.2 %
France	- 49.0 %	+ 23.2 %
Italy	+ 32.4 %	+ 38.6 %
Netherlands	- 19.9 %	+ 3.4 %
<u>Community:</u>	<u>- 8.8 %</u>	<u>+ 45.7 %</u>

The rise from 1954 to 1955 is accounted for mainly by purchases of American coal, which have increased in all the importer countries of the Community, and especially in Germany, where they went up steadily from February onwards, at a rate of over 100 000 metric tons per month, and reached 753 000 tons in August. The increased demand for American coal is due to the much larger tonnages of coking fines required by the coking-plants, which are needed all the more badly since current production is not sufficient to meet requirements and pithead stocks are down to nil.

HARD-COAL IMPORTS FROM THE UNITED STATES

(monthly averages in thousands of metric tons)

	1952	1953	1954	1955(1)	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
Germany (W.)	615	285	152	446	147	389	802
Belgium	66	65	21	51	18	56	80
France	261	24	5	46	35	55	47
Italy	240	134	238	470	419	466	524
Netherlands	176	58	99	109	71	100	155
<u>Community:</u>	1 358	557	515	1 122	690	1 066	1 608

As regards the Community's other outside sources of supply, a rapid falling-off in imports from the United Kingdom has been observable since March, affecting purchases by all the importer countries of the Community.

This is the result of the British Government's decision to cut down exports substantially as from January 1, 1956. At the present rate of imports, this would mean a gap in supplies to the Community of something like 4m. metric tons per annum. For various reasons connected with transport and with differences in grades required, it would be out of the question to make up this tonnage in full out of the tonnages available within the Community in consequence of the expected reduction in British exports. It seems likely that the quantities still required will have to be obtained from the United States.

(1) First nine months.

As regards other supplier countries, there has been a decrease in imports from Poland and a fairly considerable increase in imports from the Soviet Union, chiefly by France and Italy.

HARD-COAL IMPORTS FROM THIRD COUNTRIES
(monthly averages in thousands of metric tons)

Country of destination	1952	1953	1954	1955(1)	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
Germany (W.)	656	420	321	617	282	526	1 042
Belgium	98	94	71	101	66	98	140
France	447	135	185	228	252	229	204
Italy	423	352	405	566	518	566	597
Netherlands	226	150	175	181	149	166	227
Community:	1 856	1 150	1 157	1 687	1 267	1 586	2 210
<hr/>							
Country of origin							
United States	1 358	556	515	1 122	690	1 068	1 608
United Kingdom	293	424	438	340	398	304	318
Poland	136	99	97	92	43	93	140
Soviet Union	33	38	59	96	101	88	100
Other countries	36	37	48	37	35	33	44
Total:	1 856	1 152	1 158	1 687	1 267	1 586	2 210

66.- The ratio of imports to the total hard-coal consumption of the Community, which was 5.6 % in 1953 and 1954, rose to 7.5 % in 1955. It was, however, as high as 8.7 % in 1952.

67.- Import prices.- The prices of coal imported from third countries continue to rise. This tendency is, however, due in the main to the considerable increase in shipping rates since February and March 1955; it is also the result of an increase in f.o.b. prices, particularly those of American coal, which went up once more by \$ 0.30 - \$ 0.40 per ton on September 1, after the miners had been granted a rise in wages.

With American f.o.b. prices about \$ 11 (i.e. \$ 1 - 1.50 above last year) and freight-rates over \$ 9 to GENOA and \$ 8.50 to ANTWERP and ROTTERDAM, there has been a widening of the gap between the delivered price of American coal at these ports and that of Ruhr coal. The gap in respect of coking fines is between \$ 1 and \$ 1.50 at GENOA and more than \$ 5 at ROTTERDAM.

IRON ORE

68.- Exports.- Iron-ore exports to third countries have increased steadily since 1952.

The only Community countries exporting tonnages of any size are France (to the United Kingdom) and Germany (to Austria).

(1) First nine months.

IRON-ORE EXPORTS

(monthly averages in thousands of metric tons)

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u> ⁽¹⁾
Germany (W.)	7.7	11.3	16.9	22.4
France	38.9	37.5	39.6	54.1
<u>Total:</u> ⁽²⁾	46.6	48.8	56.5	78.0

69.- Imports.- Imports from third countries during the first eight months of 1955 averaged 1 483 000 metric tons per month as against 1 049 000 in 1954, an increase of over 40 %. This figure is well above the 1952 level. Broken down by countries of origin, it shows imports from Sweden as representing rather over one-half of the total. The rate of increase was, however, rather more marked for imports from other countries. Two-thirds of the Swedish ore imported went to Western Germany.

The increase was chiefly in respect of German purchases from Africa, Spain, Norway, Turkey, Portuguese India and Brazil. Imports from Canada, on the other hand, fell off considerably.

IRON-ORE IMPORTS

(monthly averages in thousands of metric tons)

	1952	1953	1954	1955(1)	1st qtr. 1955	2nd qtr. 1955	Jul.-Aug. 1955
Germany (W.)	739.3	781.9	699.8	1 089.2	342.5	1 129.6	1 398.6
Belgium & Luxembourg	208.0	228.6	194.4	220.4	202.9	224.0	241.3
France & Saar	31.9	24.2	19.1	39.6	30.0	46.5	43.6
Italy	57.9	61.1	55.8	63.9	34.8	47.7	132.0
Netherlands	87.6	90.4	79.5	69.8	70.2	58.2	86.3
<u>Community</u> :	1 124.7	1 186.2	1 048.6	1 482.9	1 180.4	1 506.0	1 901.8

(1) Eight months.

SCRAP. -

70.- The Community exports practically no scrap to third countries. Imports from third countries rose steeply during 1955 as a result of the measures taken by the Joint Office of Scrap Consumers in view of the increasing tightness of the market.

SCRAP IMPORTS

(monthly averages in thousands of metric tons)

1952	1953	1954	1955	1st qtr. 1955	2nd qtr. 1955	3rd qtr. 1955
37	42	38	248	221	261	263
==	==	==	===	===	===	===

(1) First eight months.

(2) Including some small tonnages delivered by Italy and Austria.

During the twelve months ending on August 31, 1955, the shares of the different Community countries in the total tonnage imported were as follows:

Germany (W.)	40.0 %
Belgium	7.3 %
France	9.4 %
Italy	40.4 %
Netherlands	2.9 %

The Compensation Office for Imported Scrap was authorized to arrange for further imports totalling 500 000 metric tons up to March 31, 1956. This tonnage, together with those still outstanding from purchases already concluded, should be sufficient to keep up the flow of imports until the end of March 1956 at the rate considered to be essential if consumption requirements during the winter are to be met and stocks maintained at an adequate level. In carrying out this arrangement, the Compensation Office will make every effort to obtain mainly shipbreaking scrap and to import mainly from third countries other than the United States, as both these sources of supply are at present cheaper than the American market.

As a result of the increasing tightness there, American scrap prices have risen. The composite price on which the invoice prices for Community imports are based went up from \$ 34 at the end of May to \$ 44.50 in October.

Thus the compensation payable on imported scrap has had to be progressively raised. It would seem, however, that the present purchasing price in the Community plus the compensation rate is very close to the price paid by the American consumer.

CHAPTER II

EXPANSION WITHIN THE COMMON MARKET

71.- At the stage now reached in the consolidation of the Common Market and the passage of the transition period, the High Authority is able to take more radical action in a field of the utmost importance for the future of the Community, namely, the expansion and long-term planning of the coalmining and iron and steel industries.

The first general objectives have been defined, submitted to the Consultative Committee, and finally published.

The provisions of the Treaty concerning prior declaration of investment programmes have been implemented.

Various sums have been set aside for the encouragement of technical research.

Work has continued on the improvement of co-operation between the six governments and the High Authority with a view to harmonizing the general economic development.

Section 1 - THE GENERAL OBJECTIVES OF THE COMMUNITY

72.- In sectors where investments take as long to produce results as they do in the coalmining and iron and steel industries - anything up to thirty, fifty or a hundred years after the installation of new plant - much intricate work is needed to produce the forecasts serving as a basis for planning the future action to be taken by the enterprises, the governments and the High Authority itself.

A preliminary memorandum defining the general objectives as regards modernization, long-term planning of production and expansion of production capacities was published in July 1955 (1).

1.- STEEL -

73.- Crude steel. - Basing itself on the internal crude-steel consumption for 1952 and 1954, and bearing in mind the predictable ratio of the increase in steel requirements to the increase in national incomes, as well as the supplies to third countries, the High Authority puts the probable requirements for 1958 at between 52m. and 57m. metric tons in crude steel equivalent. It further notes that investment projects in hand and those to be undertaken in 1955 should bring "maximum possible production" up from 51m. metric tons of crude steel at the beginning of 1955 to approximately 57-58m. metric tons about the beginning of 1958, i.e. an increase of something like 12-13% (2).

The High Authority emphasizes that the expansion programmes of which details are at present available reveal a proportionately higher increase in open-hearth and, more particularly, electric-furnace steel than in basic Bessemer. Under present production conditions, if a permanent shortage of scrap is to be avoided, it is important to maintain a satisfactory balance between basic Bessemer, open-hearth and electric-furnace production capacities.

(1) Official Gazette of the Community, July 19, 1955

(2) Maximum possible production is defined in the memorandum on the general objectives.

Pig-iron.- To keep pace with a crude-steel production of 52-57m. metric tons, pig-iron production must be brought up to 41-45m. metric tons per annum.

Parallel with this development, it will be necessary to see that prices are so balanced as to permit of an increased input of pig-iron in relation to the input of scrap in steel production.

Iron ore .- If we allow for the input of scrap in the blast-furnaces, as well as for the consumption at the steelworks and exports to third countries, total iron-ore requirements would amount to 31-32m. metric tons Fe content for a pig-iron production of 41m., and 34-35m. for a pig-iron production of 45m.

Investment projects enable us to reckon with a potential extraction of 86-87m. metric tons of crude ore in 1958, i.e. approximately 25 500 000 metric tons Fe content. A further 18-20m. metric tons of crude ore, i.e. 10-11m. metric tons Fe content, can be secured by importation. Thus, if the expected steel-production figure is correct, there is a certain safety margin as regards supplies of ore.

Iron and steel end-products.- The survey of investments in hand suggests, subject to a more detailed examination, that production capacities will be adequate to cover requirements in semi-finished products. As regards rolled products, the production potential of the rolling-mills will, according to the survey, go up at least 9m. metric tons over the early 1955 level, whereas crude-steel production potential will go up by only 6-7m. metric tons. While taking care not to jump to conclusions, we may be permitted to wonder whether, in the various sectors where capacity is now being extended (heavy and light sections, flat products), the coming rise in requirements for particular products is not being overestimated. This problem will demand careful study.

Modernization and lowering of production costs.- The lowering of production costs is one of the fundamental objectives of the Community. A considerable proportion of the investment projects now being carried out are aimed at increasing productivity and reducing costs. It is the policy of the High Authority to recommend and encourage all action aimed at achieving this objective, as technical research in connection with new processes, cutting down the number of different sections, sizes and qualities, which is much greater in the Community than in the United States, and specialization by enterprises or plants.

2.- COAL -

74.- The coal sector is having to adapt itself to an entirely new situation. Whereas coal policy used to be based on the monopoly held by coal in the field of energy in the nineteenth century, it is today confronted by growing competition from other sources of energy, such as hydro-electric power, natural gas, oil products and nuclear energy. In addition, the price of coal has risen faster than other prices in the Community countries since before the war. The consequence is uncertainty as to future coal requirements, as these will depend on the rate of general expansion, production costs, substitution of grades and technical advances in utilization.

Production capacities and planning of production.- As things look at present from the technical point of view, it is not to be expected that coke will be superseded to any great extent in iron and steel production. In order to cover pig-iron requirements for 1958 of between 41m. and 45m. metric tons, availabilities of metallurgical coke should be increased by from 10-11m. to 14-15m. metric tons. The increase in coking-coal requirements will be approximately 14-19m. metric tons.

The latest survey on the extraction potential of the Community collieries indicates a probable increase over 1954 by some 20m. metric tons, i.e. slightly over 8% (1). As in present production, more than half of this figure represents coking coal.

The High Authority stresses the need for making the various grades more interchangeable, so as to avoid a simultaneous shortage of some and glut of others.

Production costs and valorization.- In all endeavours to safeguard the future of coal as an economical source of energy in the Community, the fundamental objective must be to increase output, by means of modernization measures, technical concentrations, improvements in organization and extraction methods, and the progressive substitution of the best production units for the less economical ones.

As regards valorization of coal, the High Authority stresses the need to improve quality by better screening and washing, to develop pithead power-stations consuming low-grade fuel, to introduce methods of full gasification, and to develop the use of coal as raw material for chemical processes.

Coking and gas production.- Investments in hand or planned in connection with with coking-plants should enable the expected increase in requirements to be covered. The coking-plants are, however, the principal source for the supply of gas, consumption of which is rising rapidly. To prevent coke production from developing in excess of requirements simply in order to keep pace with the increased demand for gas, it is considered that peak requirements could be covered by also utilizing oil-gas or methane. It would further be a help if large quantities of gas could be stored under pressure, and, finally, full gasification of the inferior grades of coal would help both to valorize the products in question and to break the interdependence of coke and gas. Every effort should be made to reduce the coking-plants' consumption of their own gas and increase the consumption of producer gas instead.

Building of workers' houses.- Of all the social problems now confronting the Community, it is the question of workers' housing which is most directly linked with the general objectives. In the first stage of its studies, the High Authority was chiefly concerned with miners' housing conditions, and more particularly with those of underground workers, who have the most exhausting job and are the hardest to recruit. Some 10% of them, out of a total of 650 000, are unsatisfactorily housed, and 60 000 housing units have definitely to be replaced. A further 40 000 houses will need to be built in the neighbourhood of those pits which are increasing their production.

One of the objectives of the Community must be to push ahead simultaneously with technical investments in modernization and equipment, and with the scheme for building workers' houses which is so directly bound up with them (2).

75.- When the High Authority published this memorandum on the general objectives of the Community, it emphasized that the document was to be regarded only as a preliminary outline, to be supplemented and, if necessary, adjusted to correspond with any new trends which might emerge subsequently.

To this end, the High Authority decided to set up a number of special committees to study in more detail the different aspects of the general objectives. These are :

(1) 11-13m. metric tons in the Ruhr; 1m. in the Aachen coalfield; 3m. in Lorraine; 1-2m. in the Saar; 1-2m. in Belgium.

(2) As will be seen in the following chapter, the High Authority has since increased its financial contribution to the scheme for the building of some 12 000 additional housing units. It is pursuing its activities in this regard.

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- a) - For coal : Forecasts; Production Methods and Costs; Valorization; Ways and Means.
- b) - For steel : Forecasts; Production Techniques and Costs; Raw Materials; Ways and Means.

In addition, two co-ordinating committees have been set up, one for coal and one for steel.

These committees consist of experts selected for their qualifications in the fields of economics, industry, trade-union affairs and government.

Section 2 - PRIOR DECLARATION OF INVESTMENT PROGRAMMES

76.- After publishing its first general objectives, the High Authority, as was announced to the Assembly at its last Ordinary Session, decided to implement the provisions of the Treaty concerning prior declaration of investment programmes by enterprises (1).

Hitherto, the High Authority has kept abreast of the situation as regards investments in hand at any given time by means of yearly surveys, undertaken in 1953, 1954 and 1955. These surveys are to be continued, in order to enable the High Authority to gain an overall picture of all investments, whatever their actual scale.

In addition, however, the High Authority is from now on to be notified in advance of all new programmes begun and of any appreciable changes supervening as time goes on.

All programmes connected with the production of Treaty products must be declared beforehand where the total estimated expenditure is more than 500 000 dollar units of account in the case of new plant, or more than 1 000 000 dollar units of account in the case of replacements and conversions. These declarations must be submitted not later than three months before the first contracts are signed or work on the project is started. They must contain not only details on the nature and cost of the work, but any relevant data as to results expected, supply of raw materials, consequences to the workers, etc. (2).

While leaving the enterprises responsible for the investments they launch in line with the general objectives and other information published on technical, economic and commercial developments, the High Authority will in future be in a position to issue opinions on the programmes declared, and thus help to ensure the co-ordinated development of investments in the Community.

Section 3 - ENCOURAGEMENT OF TECHNICAL RESEARCH

77.- The High Authority has two functions in connection with technical research. Firstly, it arranges meetings between experts from the Community countries (on which British experts often also sit in), to outline the studies and other work being carried on in the specialized research centres; this helps to ensure a certain co-ordination of work and pooling of results, whereby duplication is to some extent avoided and any deficiencies in information are made up. Secondly, it can give direct financial assistance with a view to stimulating and facilitating research, using part of

(1) Speech by M. Léon DAUM, Member of the High Authority. Débats de l'Assemblée Commune, Sitting of June 23, 1955, verbatim report No. 9, August 1955, pp. 560-566.

(2) Decision No. 27/55, Official Gazette of the Community, July 26, 1955.

the funds derived from the levy on coal and steel production.

In the course of the last few months, while duly continuing its activities under the first head, the High Authority, after consulting the Consultative Committee and obtaining the agreement of the Special Council of Ministers, decided to contribute to the following research projects (1) :

- a) - Study of technical conditions in steel-rolling.- This project, which involves in particular endeavours to ascertain the optimum operating conditions for the rolling-mills, is carried out with the assistance of two steelworks, twelve rolling-mills, fifteen laboratories and two research centres. It will receive a financial grant from the High Authority totalling a maximum of 200 000 dollars.
- b) - Study of flame radiation.- This research project, which it is hoped will lead to considerable savings in thermal energy and reduce the cost of production machinery - more particularly in the iron and steel industry, but also in others, such as the manufacture of glass, cement, ceramics, etc. - has been in progress for some years, organized by an international committee representing bodies in the Community countries, together with British, Swedish and American experts, but it was not previously possible to carry on the work as actively as the committee would have liked, owing to the inadequate funds made available. The High Authority's contribution has been fixed at 105 000 dollars.

78.- The High Authority further proposes, subject to the approval of the Council of Ministers, to contribute to two additional technical research projects, namely :

- a) - Comparative tests of silica bricks used in open-hearth furnaces.- These bricks vary in quality according to the source of the raw materials and the degree of transformation in the baking. If the average life of furnace roofs could be increased by 20% by improving the quality of the bricks, it would mean a saving by Community enterprises of something like 400 000 dollars a year in production costs alone, as well as a saving in personnel and an increase in output by existing plant. The High Authority proposes to set aside 278 000 dollars for research into this question.
- b) - Coke tests in blast-furnaces.- Early in 1954, the Consultative Committee and the Council of Ministers decided in favour of this research, which is aimed principally at ascertaining the value of different types of coke in order to permit the planning of the selection of mixtures in the coking-plants at the works, and verifying the assertion by some American experts that the coke used by the industry in Europe is too hard. In point of fact, the proposed tests have not yet been begun. The High Authority, therefore, intends once more to consult the Consultative Committee and to request the agreement of the Council of Ministers. The contribution would amount to 1m. dollars.

79.- Finally, the High Authority set aside the sum of 40 000 dollars, at the beginning of 1955, for the internationalization of a periodical in four languages publishing details of technical and economic research for the development of steel utilization.

(1) Technical research in the sociological field (building costs, industrial health and medicine) is dealt with in the chapter following.

Section 4 - CO-OPERATION WITH THE GOVERNMENTS

80.- The joint committee of the Council of Ministers and the High Authority has continued its work in accordance with the lines laid down in the statement issued by the Council on October 13, 1953.

The main questions now receiving attention are :

1.- Problems of distortions in competition.- In July 1955, the joint committee decided to undertake special studies forthwith on two points, viz. the incidence of taxation on investments and the incidence of fiscal systems on the structure of the enterprises. It was arranged that this work be carried out by the Tax Committee, whose terms of reference were extended accordingly (1).

The problem of wages and social charges will be examined in conjunction with the general question of the balance of trade. At the same time, the committee will study the specific distortions which may result from the different social security systems and wage arrangements in the various countries.

2.- Prospects and conditions for future economic expansion.- The High Authority representatives have drawn the committee's attention to the fact that endeavours up to now in the member States to work out long-term forecasts have been carried out along very widely-differing lines. Consequently, the findings are not properly comparable.

The committee is to arrange a meeting of experts designated by the heads of delegations of each country, which will settle the form to be followed in drawing up long-term programmes and forecasts of economic development, and examine the different items in the national accounts between which comparability has to be established.

3.- Prospects and conditions for the future consumption of different forms of energy.- Work has been begun on the breakdown of the energy situation by comparable forms of energy. The relevant departments of the High Authority have also been instructed to draw up questionnaires concerning the taxation and Customs regulations applying the different forms of energy, the structure of energy prices and the methods by which they are fixed, and the investments planned in the energy-producing industries.

81.- All these activities are dictated by the need for harmonizing the work of the High Authority with the general policies of the member States, in order to foster economic expansion. It is, however, obvious that the problems defined and the solutions arrived at affect a wider field than the coalmining and iron and steel industries alone. The studies carried out in this connection are a contribution to the bigger work of preparing the further stages in economic integration, and considerable use has been made of them by the intergovernmental committee set up at the Messina Conference.

(1) The Expert Committee known as the "Tax Committee" was set up under an Order of the High Authority of March 5, 1953, Official Gazette of the Community, March 7, 1953.

CHAPTER III

IMPROVEMENT OF LIVING AND WORKING CONDITIONS

82.- The measures introduced by the High Authority to bring about an improvement in living and working conditions in the industries of the Community relate, in particular, to the readaptation of workers who have to change their employment, the freedom of movement of workers within the territories of the six countries, the publication of details on living and working conditions, the building of houses, and the encouragement of research on industrial health and medicine.

READAPTATION OF WORKERS.-

83.- Operations are in progress in France, Italy and Belgium for the readaptation of miners and steelworkers. They affect in all some 20 000 workers, varying in each separate instance according to the local situation and the different opportunities afforded by the provisions of the Treaty.

84.- In the French Centre/Midi collieries, the improvement in the coal situation and the reluctance of the workers to leave their home areas have combined to restrict the scope of the measures envisaged at the beginning of 1954. The intention was then, according to the programmes adopted by the French Government and the Charbonnages de France, to resettle some 5 000 workers in Lorraine over a period of three years (1). In actual practice, the number of workers who volunteered was only a few hundred, of whom about 260 were accepted after medical examination, and duly migrated to Lorraine.

The High Authority drew its conclusions from this first experiment, and in January 1955 proposed to the French Government that they co-operate in examining the possibilities in regard to re-employment on the spot, either in industries directly bound up with the coalmining and iron and steel enterprises, or, if necessary, in other sectors of industry such as the building trade.

Early in July 1955, the French Government informed the High Authority that the Charbonnages de France were having to lay off workers in the Centre-Midi coal-fields. It therefore proposed the following solution:

- 1 .- that only those workers be discharged who are found to be suitable for recruitment by the Houillères de Lorraine and have been offered employment in Lorraine prior to their discharge;
- 2 .- that workers who agree to move to Lorraine while serving their notice enjoy the benefits as the volunteer workers (Ffr. 200 000 for workers with families, Ffr. 75 000 for unmarried men);
- 3 .- that those who refuse to leave own area remain liable to discharge, but receive financial assistance similar to that given to workers in certain iron and steel enterprises, viz.

(1) These provisions were later extended to cover the workers at two small non-nationalized collieries owned by the Compagnie des Forges de Châtillon, Commentry et Neuves-Maisons.

- cost of retraining to be met;
- travel and removal expenses to be met, resettlement allowance to be paid;
- tide-over allowance to be paid (1).

The High Authority accepted these proposals, with the following reservations, which were in turn accepted by the French Government:

1. - the tide-over allowance to be payable to workers for the six months immediately following their discharge, during which every effort should be made by the labour exchanges to induce the workers concerned to attend vocational-training centres, according as their professional qualifications may indicate;
2. - workers refusing, after this period has elapsed, to attend vocational-training centres to forfeit their entitlement to a tide-over allowance;
3. - workers for whom the labour exchanges have been unable to arrange attendance at vocational-training courses to continue receiving the tide-over allowance up to one year after their discharge;
4. - finally, workers accepting employment or agreeing to attend vocational-training courses during the tide-over period to be entitled up to one year after their discharge to a guaranteed wage equal to the first month's tide-over allowance.

The High Authority further stated its willingness to join with the French Government in examining the advisability of providing a financial guarantee to facilitate conversions of enterprises and/or the creation of new activities with a view to assuring productive re-employment to the workers who are obliged to change their jobs.

85.- In the French iron and steel industry, the readaptation of approximately a thousand workers from an enterprise in the Loire area, formed in 1953 by the concentration of four previous enterprises, is going ahead without any hitches to speak of. The Compagnie des Ateliers et Forges de la Loire has undertaken not to lay off any workers during the two years estimated as required for the conversion and the two years following. The thousand or so workers now temporarily redundant have been guaranteed the basic wage of their trade for a forty-hour week, and the corresponding social-insurance benefits. Some of them receive vocational training either in special courses or in the Company's works; others are employed by the Company on general or semi-productive work.

A number of other applications for readaptation have been submitted to the High Authority by the French Government during 1955. Two of them, on behalf of the ISBERGUES, Pas-de-Calais, works of the Compagnie des Forges de Châtillon, Commentry et Neuves-Maisons and the PAMIERS, Ariège, works of the Société Métallurgique d'Imphy, were turned down; the remaining four were approved, viz. those of the Etablissements Bessonneau at ANGERS, Maine-et-Loire, the Forges d'Audincourt at AUDINCOURT, Doubs, the Etablissements J.J.Carnaud at BASSE-INDRE, Loire Inférieure, and the Forges d'Hennebont, at HENNEBONT, Morbihan.

The workers laid off by these four enterprises are to be entitled to a descending scale of tide-over payments for twelve months, calculated in such a way

(1) See No. 85 below.

as to induce them to accept new employment or to attend vocational-training courses(1). Workers obliged to change their residence are to be entitled to a refund of their travel and removal expenses, and to a resettlement allowance.

86.- In the Italian iron and steel industry, the High Authority has taken a decision in principle to assist in the readaptation of some 8 000 workers. The Council of Ministers as approved the Italian Government's application for exemption regarding the payment of a contribution equivalent to that of the High Authority. The programme provides that the High Authority is to make itself responsible for non-repayable assistance such as tide-over and resettlement allowances, retraining expenses, etc. , while the Italian Government is to contribute towards the financing of new activities, and undertake to re-employ 50% of the discharged iron and steel workers.

The High Authority has not yet received exact details from the Italian Government as to the workers concerned and the provision made to re-employ them, or suggestions regarding the methods to be followed in the payment of the proposed assistance.

87.- In the case of the Italian collieries at Sulcis, Sardinia, the High Authority has also agreed in principle to help with the readaptation of workers as soon as additional information and definite proposals have been submitted. It has stated its willingness to join with the Italian Government in examining the advisability of giving its financial guarantee to facilitate the conversion of existing activities and the creation of new ones.

88.- Finally, in the Borinage collieries in Belgium, where a large-scale overhaul is in progress, involving, in particular, the concentration of pits and modernization of existing plant, the High Authority has decided to support the financial contributions of the Belgian Government. The High Authority contribution, fixed at a maximum of Bfr. 200m., is to consist firstly of a grant for the readaptation of workers, and secondly of payments from the compensation levies, as provided for in Sections 25 and 26 of the Convention. Authorization will be needed from the Council of Ministers to exempt the Belgian Government from the obligation to pay its "special contribution at least equal to the amount of such assistance" towards the financing of readaptation proper.

FREEDOM OF MOVEMENT OF WORKERS.-

89.- The agreement between the six member governments accepting the principle of freedom of movement throughout the Community for workers of recognized qualifications in the coalmining and iron and steel industries was concluded at the end of 1954.

In July 1955, the representatives of the governments approved the administrative arrangement required for the implementation of the agreement, and instructed the Co-ordination Committee of the Council to draw up the annexes concerning, firstly, the documents certifying that a particular worker has undergone vocational training in one of the member States, and secondly, the bodies to which appeal may be made.

The German and Luxembourg Governments have still to ratify the provisions permitting freedom of movement for qualified workers.

(1) The tide-over allowance on average wages between Ffr. 30 000 and 50 000 per month is equal to 80% of the former wage for the first month, and goes down to 40-55% for the last four months. Workers accepting new employment or attending vocational-training courses continue to receive a wage equal to the first month's tide-over allowance up to one year after their discharge or for the duration of their vocational-training course.

The Belgian, French, Italian and Netherlands Governments have notified the Council of Ministers that the decision will come into force in their respective countries as soon as the text of the agreement has been published officially, upon receipt of such notification from all the member States.

WAGES AND WORKING CONDITIONS.-

90.- One of the duties of the High Authority is to publish the information needed for assessing the possibilities of improving living and working conditions in the industries for which it is responsible. It has continued its work in this connection: it recently published the findings of a preliminary study on the real incomes of miners and steelworkers, and has been bringing up to date previous investigations into their terms of employment.

91.- Real incomes.- The comparative study on real incomes was published in the High Authority's Statistical Information bulletin. The subject will be further developed in later publications.

At the present stage of these inquiries, the conclusion drawn by the High Authority is that differences in real incomes between one country and another are not so large as had previously been supposed, and that they do not, in fact, exceed the disparities sometimes found within a single country between different sectors of industry or between different industrial regions. Moreover, the details regarding the population as a whole, instead of merely the miners and steelworkers, indicate that there are many much greater differences from one country to another in private consumption per head of population. It would further appear, from certain data not yet fully abstracted, that discrepancies between the real incomes of miners and steelworkers in the different Community countries decreased between 1953 and 1955.

92.- The following six graphs show the distribution of the real incomes of Community miners and steelworkers (1).

(1) For further details on methods and findings of this survey, see " Informations Statistiques", No. 5, August-September 1955.

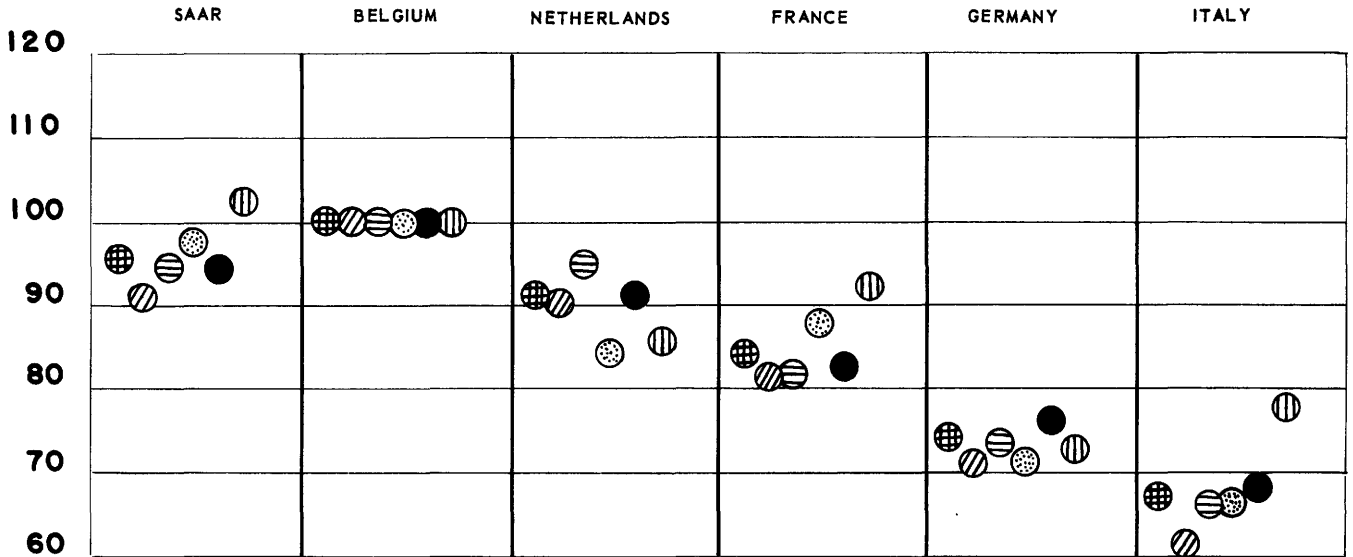
COMPARISON OF THE REAL INCOMES OF COALMINERS

IN THE COMMUNITY IN 1953

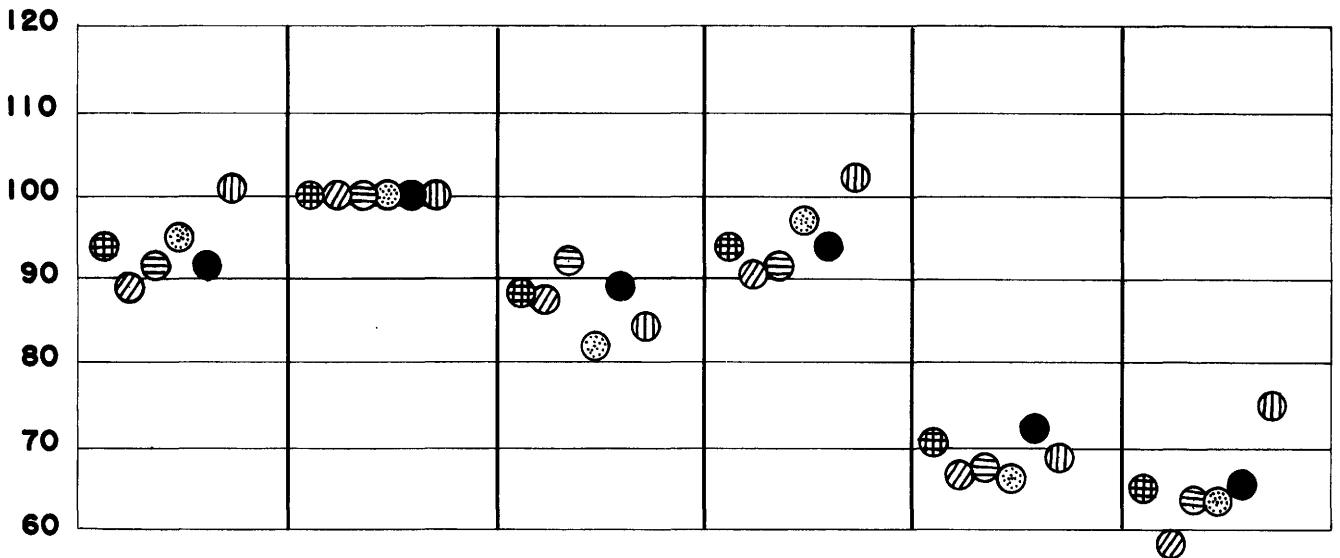
UNDERGROUND WORKERS IN ATTENDANCE, LIVING IN MINE-OWNED HOUSES

BELGIUM = 100

MARRIED WITH NO CHILDREN



MARRIED WITH 2 CHILDREN



KEY TO "SHOPPING BASKETS"

- 
 SAAR
- 
 BELGIUM
- 
 NETHERLANDS
- 
 FRANCE
- 
 GERMANY
- 
 ITALY

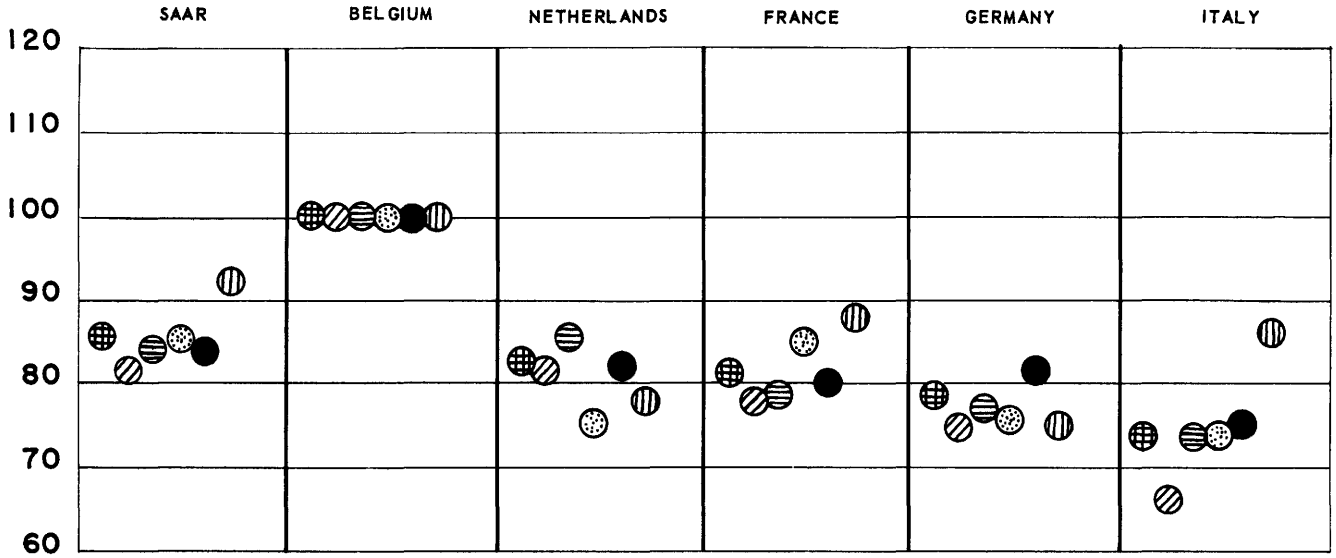
COMPARISON OF THE REAL INCOMES OF COALMINERS

IN THE COMMUNITY IN 1953

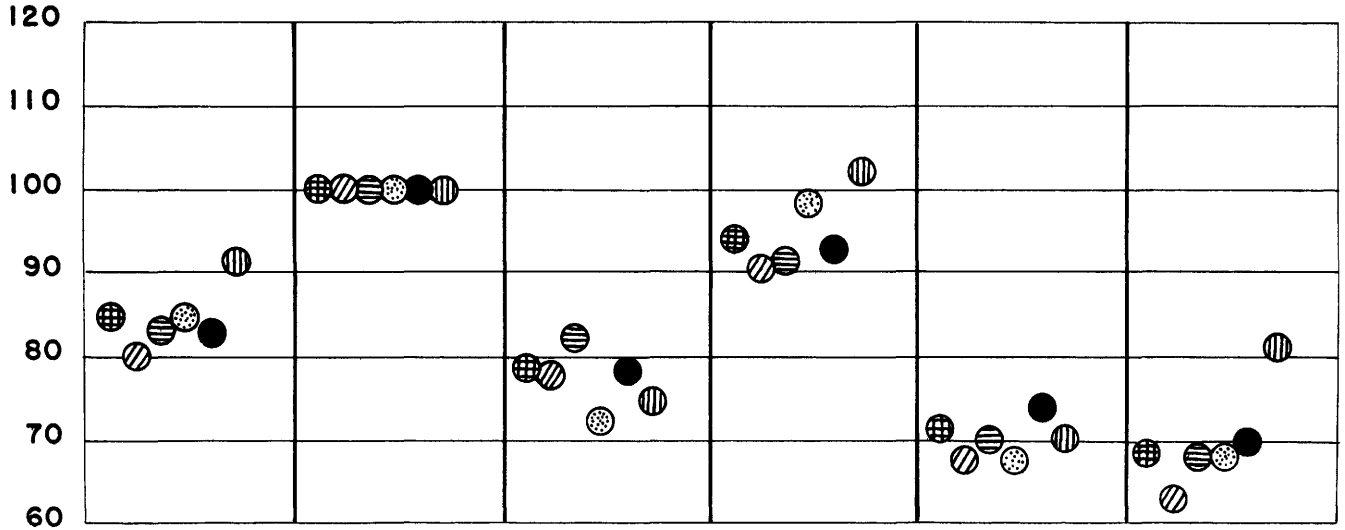
SURFACE WORKERS IN ATTENDANCE, LIVING IN MINE-OWNED HOUSES

BELGIUM = 100

MARRIED WITH NO CHILDREN



MARRIED WITH 2 CHILDREN



KEY TO "SHOPPING BASKETS"



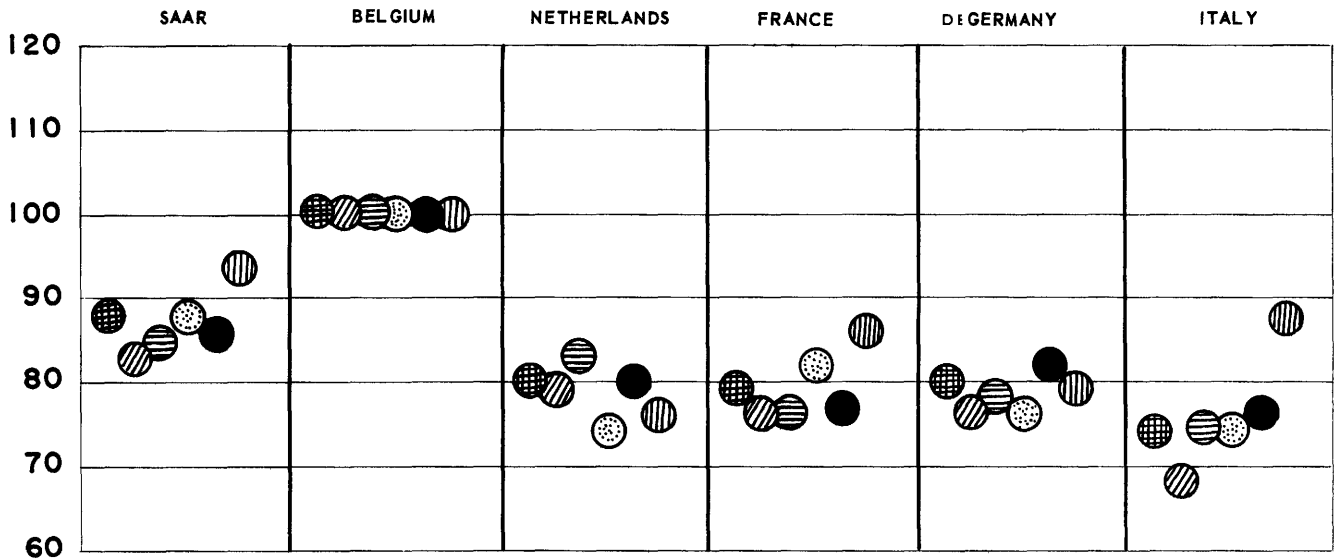
COMPARISON OF THE REAL INCOMES OF COALMINERS

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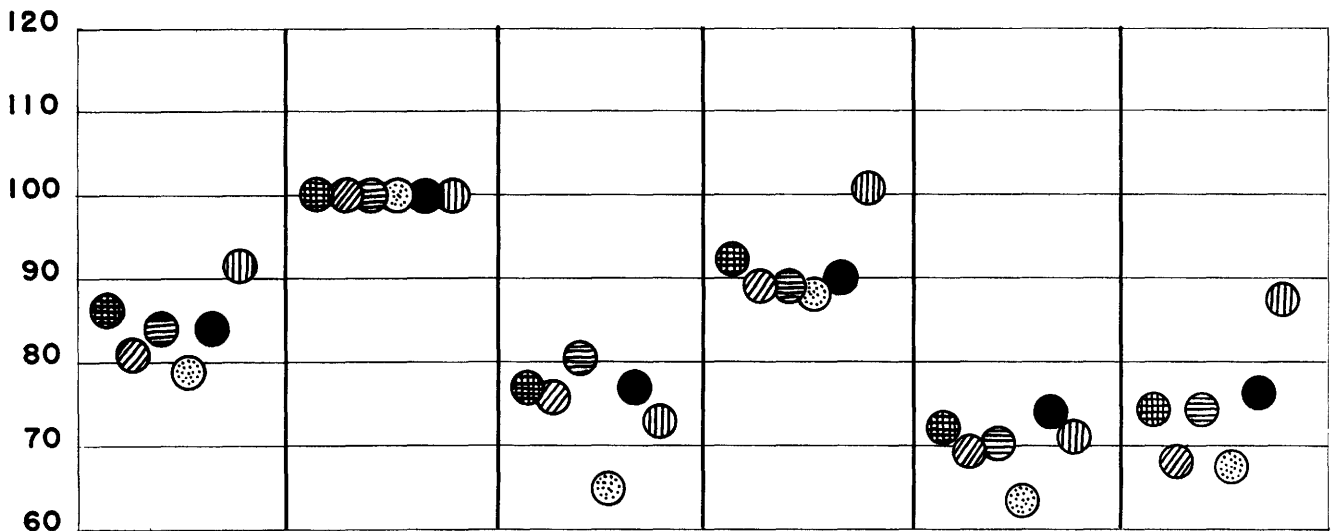
SURFACE WORKERS ON THE BOOKS, LIVING IN MINE - OWNED HOUSES

BELGIUM = 100

MARRIED WITH NO CHILDREN



MARRIED WITH 2 CHILDREN



KEY TO "SHOPPING BASKETS"



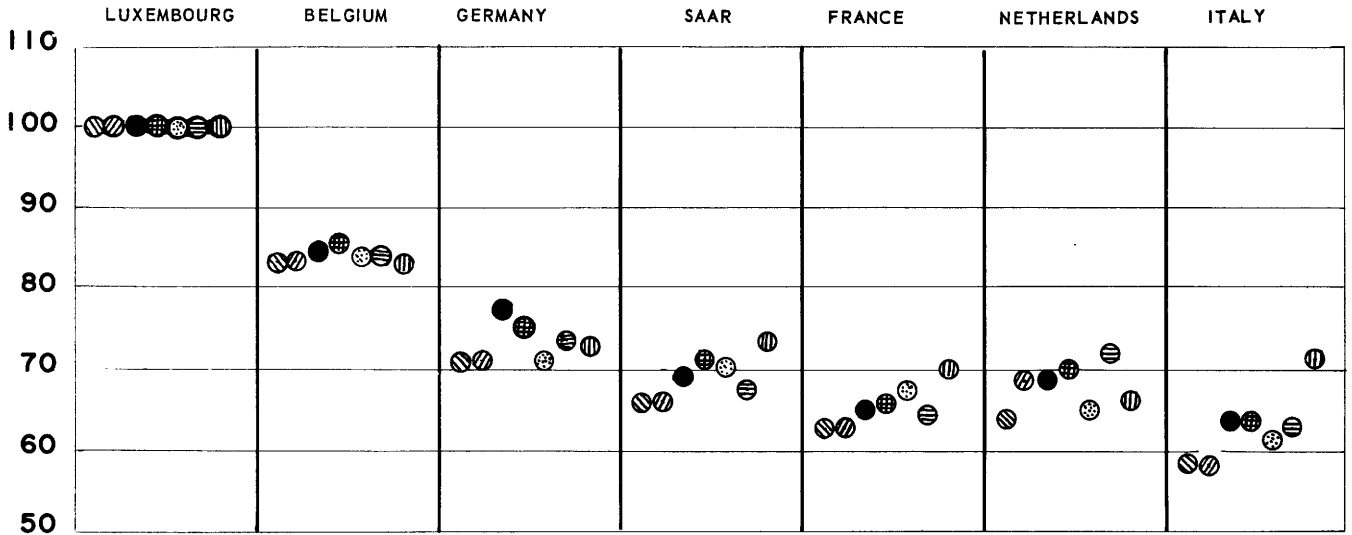
COMPARISON OF THE REAL INCOMES OF COALMINERS

IN THE COMMUNITY IN 1953

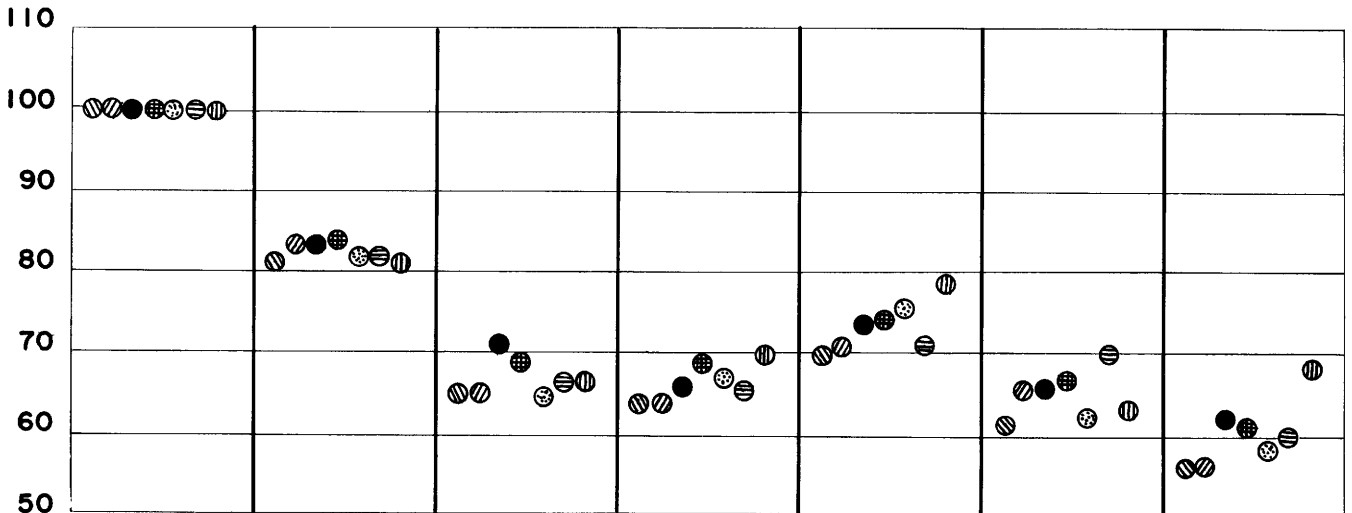
STEELWORKERS IN ATTENDANCE

LUXEMBOURG = 100

MARRIED WITH NO CHILDREN



MARRIED WITH 2 CHILDREN



KEY TO "SHOPPING BASKETS"

- 
LUXEMBOURG
- 
BELGIUM
- 
GERMANY
- 
SAAR
- 
FRANCE
- 
NETHERLANDS
- 
ITALY

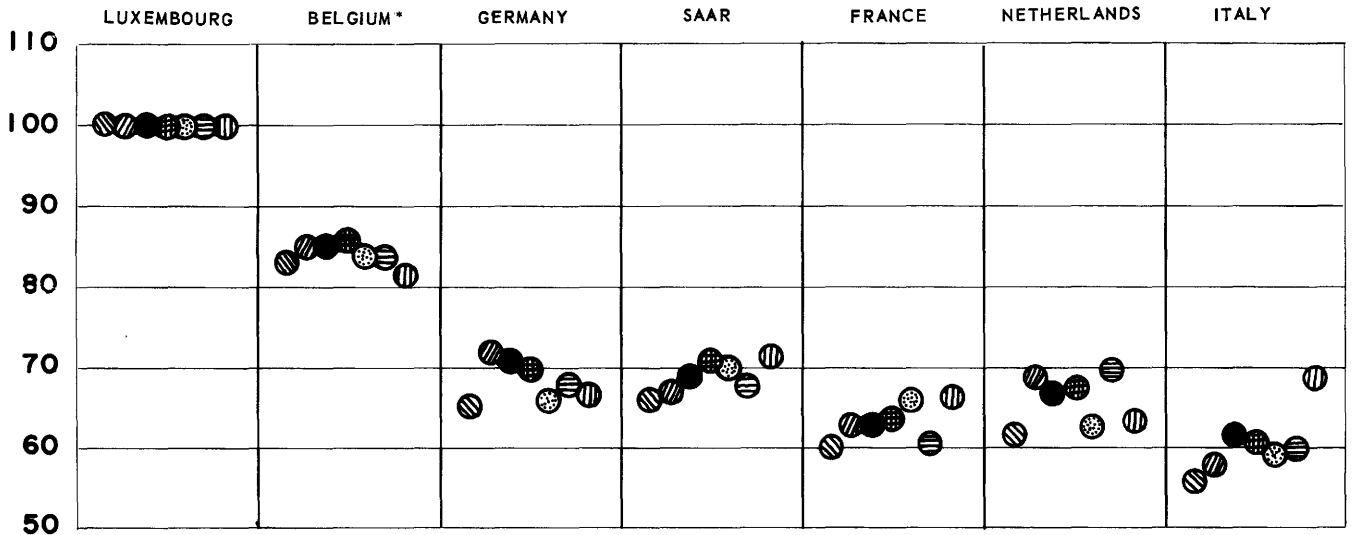
COMPARISON OF THE REAL INCOMES OF STEELWORKERS

IN THE COMMUNITY IN 1953

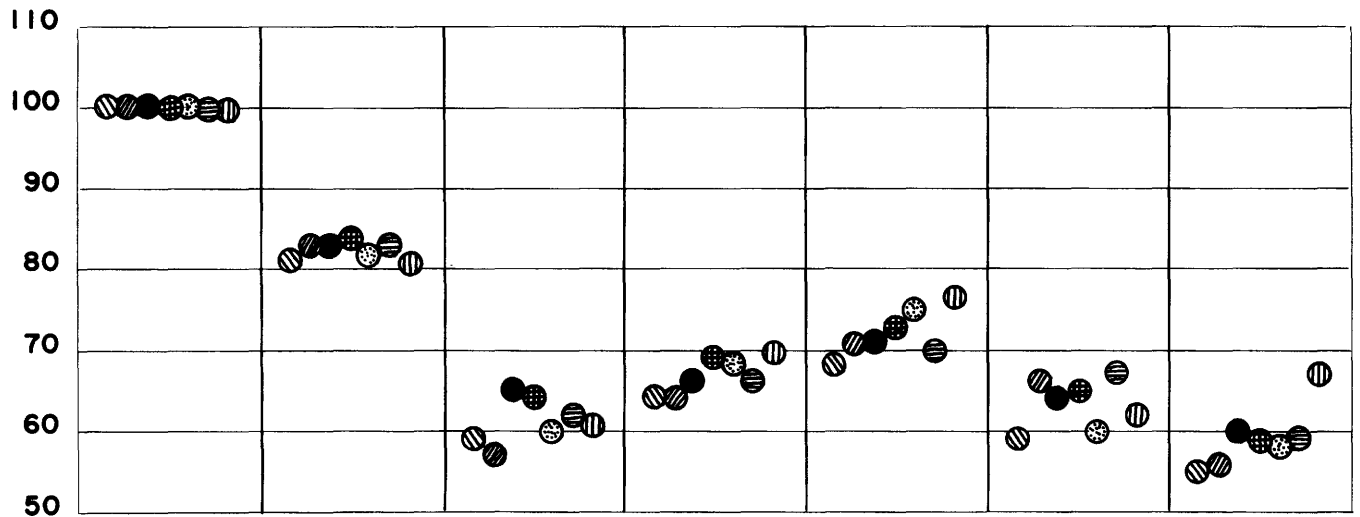
STEELWORKERS ON THE BOOKS

LUXEMBOURG = 100

MARRIED WITH NO CHILDREN



MARRIED WITH 2 CHILDREN



KEY TO "SHOPPING BASKETS"

- LUXEMBOURG
- BELGIUM
- GERMANY
- SAAR
- FRANCE
- NETHERLANDS
- ITALY

* BELGIUM: WORKERS IN ATTENDANCE

93.- Terms of employment.- The relevant High Authority departments have drawn up preliminary surveys to facilitate the work of harmonizing living and working conditions in the industries of the Community (1).

These studies deal in particular with the regulation of working hours, holidays and overtime pay. The preliminary monographs have been issued to the producers' and workers' organizations for them to check the data.

The series of monographs thus revised will shortly be made available to all those directly concerned.

94.- At the session of the Council of Ministers on September 26, 1955, M. REY, the Belgian Minister of Economic Affairs, asked that there be a discussion between the Council and the High Authority on the possibility of introducing a five-day week in the iron and steel industry. The Council stressed the value of a joint study of this question and of its effects as regards the general objectives of the Community, and instructed its Co-ordination Committee to examine, in co-operation with High Authority representatives, the conditions under which such a study could be carried out, and to submit proposals accordingly.

HOUSING.-

95.- Experimental building.- The following was the position, on November 1, 1955, in regard to the total programme of 1 022 housing units to be built with financial assistance from the High Authority under its scheme for technical and economic research:

a) - Housing units completed: Seven schemes comprising 350 housing units in all:

	(GELSENKIRCHEN	50
200 in the Ruhr	(WALSUM	50
	(BOCHUM-WEITMAR	50
	(DUISBURG-HUCKINGEN	50
50 at SIERSDORF,	Aachen coalfield	
50 at CONDE-sur-ESCAUT,	Pas-de-Calais	
50 at HOUTHALEN,	Campine	

b) - Sites opened : Two schemes of 50 housing units each, at LEERNES, Hainault, and VOELKLINGEN, Saar.

c) - Housing units under construction: Remainder of programme, i.e. 562 housing units.

The various research centres which have been asked to work out comparative building costs are continuing their studies.

96.- Building financed by loans.- At the end of July 1955, the High Authority contracted loans from banking institutions in Germany, Belgium and Luxembourg totalling 16 400 000 dollar units of account.

Negotiations have been opened with further institutions in France, Italy and the Saar with a view to raising similar loans totalling 1 800 000 dollar units of account.

(1) See Third General Report, Nos. 197 and 198, for the unanimous resolution adopted by the Consultative Committee on this point.

Allowing for the fact that the High Authority is making only a partial contribution to the programme (25-50% of the sum involved), the total number of housing units which can be financed will be something over 12 000, of which 10 000 will probably be constructed in Germany, 1 600 in Belgium and 25 in Luxembourg.

The exact allocation of these loans is being discussed between the High Authority and regional committees consisting of employers' and workers' representatives from the different coal and steel-producing areas and representatives of the national and regional authorities.

By November 1, 1955, the High Authority had granted loans totalling DM. 25 800 000 (approx. \$6 100 000) to enterprises in the German Federal Republic. This sum will cover the cost of 5 090 housing units; of these 2 567 are to be made available for ownership, and 2 523 to be let at a rental, while eight will be hostels for unmarried workers (333 rooms in all).

The total cost of this programme is DM. 98 800 000, to be financed as follows :

High Authority	DM. 25 800 000 (26.1 %)
Federal Government	DM. 40 800 000 (41.3 %)
Enterprises	DM. 21 500 000 (21.8 %)
Miscellaneous	DM. 10 700 000 (10.8 %)

On November 1, 1955, 1 535 housing units were under construction.

RESEARCH ON INDUSTRIAL HEALTH AND MEDICINE.-

97.- The Industrial Health and Medicine Research Committee, which was set up in March 1955 by the High Authority, has pursued its activities along three main lines, namely, the present state of research on silicosis, the prevention of occupational diseases in the coalmining and iron and steel industries, and the rehabilitation of physically-handicapped workers.

The committee of producers and workers, which has to give its views on the planning of research agreed unanimously that the combating of silicosis should be the principal objective, on account of the technical, economic and human aspects involved. As regard problems of prevention, the committee was unwilling to express a final opinion until more details were available on the projects envisaged, but it did consider the prevention of carbon-monoxide poisoning and high-temperature working conditions as most important. Rehabilitation was also stated by some members of the committee to call for very special attention from the Research Committee.

98.- On the basis of the proposals put forward by the Research Committee, the High Authority consulted the Consultative Committee and, after obtaining the agreement of the Council of Ministers, decided to set aside 300 000 dollar units of account per annum over four years for research in this field (article 55,2,c of the Treaty).

In the allocation of these funds, work already initiated by public and private institutions in Community countries will be taken into consideration. At the same time, the High Authority will seek to secure the financial participation of all bodies interested in the carrying-out of this research, since its scope extends beyond the coalmining and iron and steel industries. The governments will be kept informed of the progress of the work, of any changes in the research plans, and of the allocation of the funds.

As required by the Treaty, the research findings will be made available to all interested parties in the Community.