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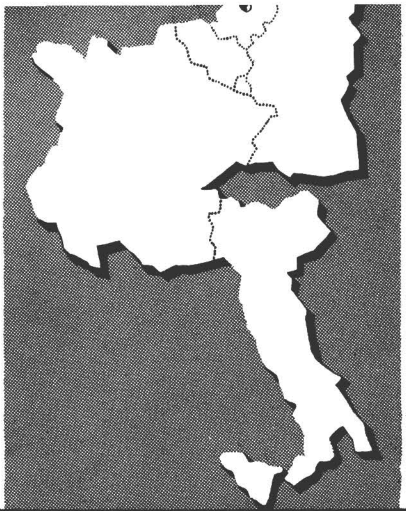

Bulletin from the

EUROPEAN COMMUNITY

for coal and steel

INFORMATION SERVICE • HIGH AUTHORITY • LUXEMBOURG

EUROPE GOES TO COURT

An improvised courtroom in Luxembourg provided the setting, last month, for a "cause célèbre"—the first case ever brought by a European state against a federal government of Europe. The appellant was the Fourth Republic of France. The defendant was the High Authority of the European Community for Coal and Steel. In judgment sat seven jurists from six nations as members of the Community's Court of Justice, the foundation of a future Supreme Court of Europe.

The case was the first of two on the Court docket aired before the Community's judicial body. If highly complex and crammed with legal subtleties, the case nonetheless attracted the attention of a large audience of international officials, civil servants, and ordinary sightseers. Newsreelmen, press photographers, and reporters jammed the press galleries to witness the scene of French magistrate Paul Reuter, resplendent in the scarlet and ermine robes of his office, arguing the case on behalf of his government against a fellow countryman, Maître Jean Coutard of the Paris Court of Appeal, who represented the High Authority.

Simultaneous translations of proceedings went on in four languages—French, Dutch, German, and Italian. It was unlikely that more than a small proportion of the large audience tried to follow the intricacies of the opposing arguments. What they had come to see was Europe going to court for the first time before a supranational Court of Justice whose decision was final and binding, and from which there was no appeal.

The proceedings at Luxembourg reflected no parallel to cases brought before the International Court in The Hague. Only states can bring grievances before the United Nations court and only by voluntary agreement whereas signatories to the Community treaty bind themselves and their citizens (individual firms), within a prescribed field of jurisdiction, to the decisions of the Court of Justice.

The authority of the Court of Justice was established by the Coal and Steel Community Treaty which came into effect on June 16, 1952, after ratification by parliaments of the six member nations. Appeals to the court may be made by any individual, enterprise, or government of the member states challenging the decisions of the Community's executive, the High Authority. In turn, the Court is invested with sole authority to decide whether decisions of the High Authority will be upheld or quashed. Its jurisprudence grows out of interpretations of the Treaty, which is also the Community's constitution, as well as from the legal traditions of the member states.

The First Case

The first case before the High Court at the opening of its first public session (October 28, 1954) arose out

IN THIS ISSUE

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The Court of Justice during its first public session, Luxembourg, October 28, 1954.

of the High Authority's revision, in January, 1954, of its Fair Trading Code governing the publication of steel prices. Article four of the Treaty specifically bans discriminatory pricing by enterprises. Article 60 empowers the High Authority to define and regulate methods of price quotation. Originally, steel firms were required by High Authority decision to publish all changes in steel prices at least 30 days before such changes went into effect. However, because of daily fluctuations in the world steel market, the High Authority, after study of the situation with the Consultative Committee, revised the ruling and agreed to permit producers to vary prices not more than 2.5 per cent above or below published prices without actually publishing the changes.

The French Government, in bringing the first case, contended that the ruling was, in fact, contrary to the Treaty and permitted discrimination by producers among their buyers. The High Authority in turn, denied the charge and added that the executive body's system of investigation and inspection permitted violations to be easily spotted.

The French appeal was followed by three more, brought on exactly the same issue, by the Italian Government and by two Italian steel producers' associations. In all, the Court session lasted almost a fortnight. Additional appeals by other governments and steel producers, a total of five, were voluntarily withdrawn by the plaintiffs pending the outcome of the present case.

The Court is not expected to announce its judgment in the first four cases before mid-December and the matter is still sub judice. However, observers saw in the first session, as one newspaper put it, supranationality "on the move." There were three striking facts: the realization that the High Authority, along with the member countries, producers, consumers, and individuals, is subject to the Court's rulings and not "above law"; secondly, the tribute by the French and Italian government counsel to the High Authority itself and their wholehearted acceptance of the Court's final verdict, whatever the outcome, and thirdly, the fact that probably for the first time in history two Frenchmen, Maître Jean Coutard and M. Michel Gaudet (a member of the High Authority's legal department) were defending the point of view of a supranational organization—the High Authority—against their own country.

M. Jean Monnet, President of the High Authority, told an American correspondent at the opening session: "Whichever way the decision goes, the prestige and cohesion of the entire Community will be enhanced . . . I think today's first public session is not only a landmark for the Community but for European history as well."

THE HIGH COURT OF JUSTICE

The Court of Justice exists "to ensure the rule of law in the interpretation and application of the Treaty and its implementing regulations."

No national court has jurisdiction in these matters. The Court's judgments are directly binding on all parties whether national governments or enterprises.

The Court may arbitrate in any dispute between member states at their request.

The Court is composed of seven judges, appointed for six years by the Council of Ministers. The judges designate one of their number as President for three years.

Massimo Pilotti (Italian) President
Petrus Serrarens (Dutch) President of first Chamber
Charles Hammes (Luxemburger) President of second Chamber
Otto Riese (German)
Jacques Rueff (French)
Louis Delvaux (Belgian)
Adrianus Van Kleffens (Dutch)

BELGIAN COAL AND THE COMMUNITY

Coal specialists have just published a report commissioned by the High Authority on the future prospects of four "marginal" mining companies of the Borinage coalfield in southern Belgium. The following account is based partially upon the Borinage report and illustrates some of the issues and difficulties encountered in the transition from a national to a European market. Belgium, a nation of eight million people, has built one of the world's highest living standards upon coal. Yet when Belgium joined with five other European nations in the Coal and Steel Community the structure of its coal economy belonged as much to the nineteenth century as did some of its antiquated and marginal coal pits. In fact, special transitional measures were written into the Community Treaty for Belgium permitting a gradual change in the structure of its coal industry to avoid visiting hardships upon areas wholly dependent upon coal.

The Background

The problems of the Belgian coal industry and in particular of the Borinage coalfield existed for many years before the common market brought them into relief and forced the first steps towards a solution. Within a national framework, the problems had appeared almost insoluble. High-cost, protected Belgian coal had become a classic example of the results of a system brought about by narrow-structured national economies designed for immediate self-interest.

The Borinage coalfield was a victim of the system. Some pits in the area had been worked continuously since the seventeenth century. By 1914, the field had started to decline, the richest and most accessible veins having been exploited. Since that time, every attempt to develop the coalfield normally has been blocked by circumstances growing out of national divisions and rivalries.

After the First World War, the Belgian government was forced to sell Borinage coal at uneconomically low prices to France in return for iron ore needed for the steel industry. Through the early twenties Borinage had to exploit the field haphazardly in the national interest. By the mid-twenties German coal was making its appearance on the French market as reparations at much lower prices. In 1926 the Belgian franc was devalued and by 1929 the depression had hit Belgium. Through the entire period the Borinage mines kept operating on low profits and by foregoing necessary capital investments. The pits stayed open also because Belgian wages and living standards were lower than in either France or Germany.

The situation lasted until after World War II when, in the immediate post-war period, the "battle for coal" raged—permitting coal-exporting nations to forge ahead—spurring quick domestic recovery. Labor became scarce, living standards climbed and Belgian wages became the highest in Europe. But prices were controlled. To keep the Borinage mines operating, the government had to introduce subsidies. By 1949, it was clear that the industry was in crisis. Investments had been grossly inadequate over a 35 year period when Belgium's coal industry had been sacrificed for national economic expediency. Accordingly, the government took steps to raise the miner's individual output and make better use of extracted coal by introducing a $322 million investment program to extend through 1956. Since 1949, the plan has resulted in reducing the number of pit shafts from 175 to 137 and the number of companies from 83 to 55.

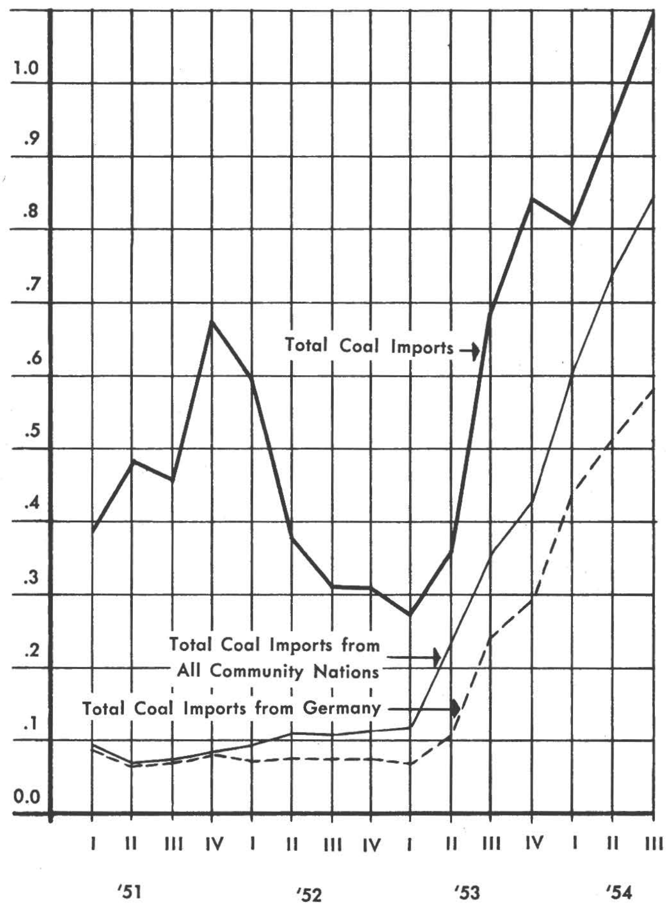
But the investment plan was drawn up in the national context. Coal production, essential for export industries during the Korean boom, rose in Belgium, so did prices. Ultra-modern washeries and pithead installations sprang up at mines without regard to their production potential—a tragic reminder of the cost of investing to maintain supplies at all costs, including the cost to the consumer.

The Schuman Plan

Today the Schuman Plan has brought about a change in Belgium's coal industry. Under terms of the Treaty, the High Authority must ensure that, in periods of

BELGIAN COAL IMPORTS

in millions of metric tons



shortage, industries in the member nations will have fair access to available supplies. Result: Belgium now can depend on imports of coal, especially of Ruhr coal, without fear that the supply will dry up if a boom should suddenly increase demand for coal from exporting nations.

Belgium no longer needs maintain maximum coal production and therefore has no justification for protecting her coal industry. Competition based upon price has become possible.

Since February, 1953, German coking coal has been entering Belgium at a rate of 200,000 tons a month and more as compared to 25,000 tons before the common market opened. In turn, Belgium's industries consuming coal, with steel taking the lead, are finding production costs falling. But for Belgium's coal industry and the people dependent upon it, the immediate prospect is less encouraging. Changes wrought by the common market at once created a new set of internal problems.

Federal Solutions to National Problems

The Coal and Steel Community Treaty itself provided a revolutionary solution not only to Belgium's external market problems but to internal problems. In pooling their resources and delegating their sovereignty to common federal institutions, the six member nations at once assumed a corporate responsibility for difficulties in the coal and steel industries assailing any one of them.

Under terms of the Treaty, the low-cost mines of the Community in Germany and the Netherlands helped finance half of a $17 million fund administered by the High Authority to allow Belgium to sell her coal on the common market while she continued to modernize her mines. The other half of the fund was financed by the Belgian government. The system, to last only during a transition period of from five to seven years, aims not at protecting Belgium's coal industry but a giving it the incentive to lower costs and become competitive by modernization, reorganization and regroupment.

So far the question of survival value has been raised only with respect to the four companies of the Borinage coalfield producing about two and one half million tons annually, or about eight per cent of Belgium's output. Mine specialists predict that fewer mines will be ruled marginal than had been popularly expected because about half of Belgian production is anthracite in which Europe is very short. More than half of the rest is being produced in the newer mines of the Flemish Campine, which are profitable.

The mines examined in the High Authority Report still retain Belgian government subsidies which end in 1955. Conditions for their future survival were minutely examined by the study commission and the report indicated that it would be difficult for at least two of the four mines to survive under competitive conditions despite heavy investments.

Before the transition period into the common market ends, the Belgian government must decide, in consultation with the High Authority what future policy for the mines will be. At the end of the period the government will be prohibited by treaty from providing further subsidies—even if it so desired.

In addition to modernization help and a "breathing spell", the Community Treaty also has provided Belgium with the means for solving the social problems raised by changes in the structure of the coal industry.

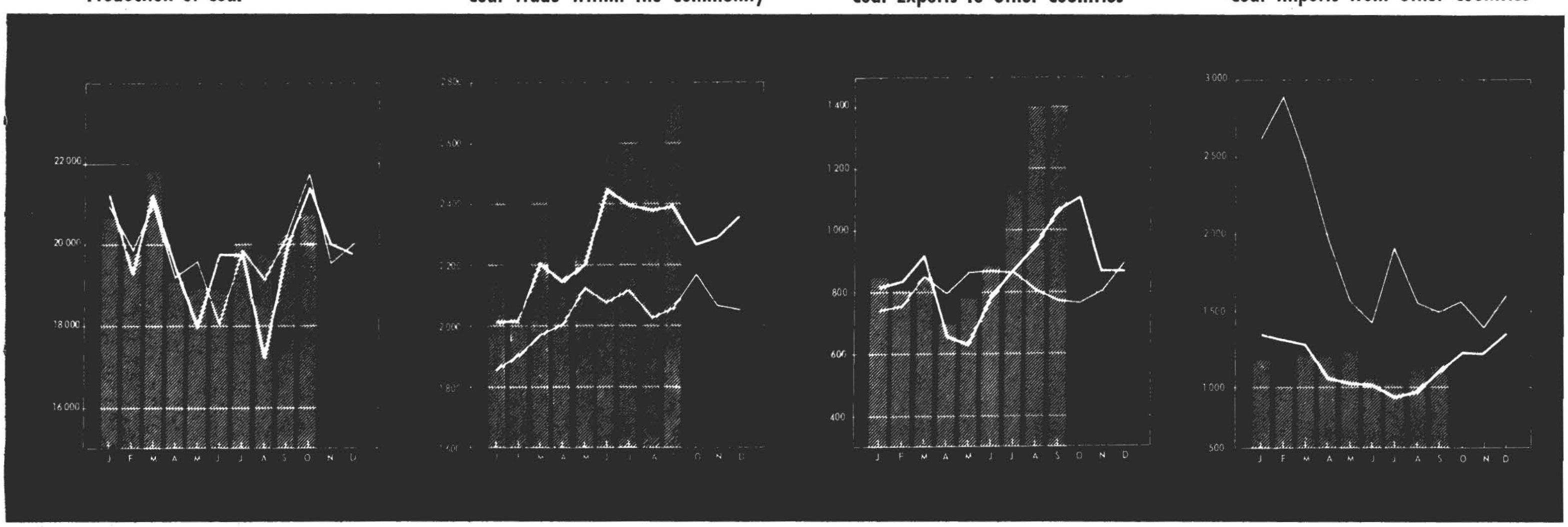
Resettlement provisions of the Treaty provide that the High Authority and the interested government share the responsibility for lending direct aid to workers laid off as a result of technical change or modernization. Pro-

COAL PRODUCTION TRENDS IN THE COMMUNITY

1954 1953 1952

in thousands of tons

Production of Coal | Coal Trade Within the Community | Coal Exports to Other Countries | Coal Imports from Other Countries



visions call for the setting up of training programs to teach jobless workers new skills or else installing them in new areas of their own choosing where jobs are available.

According to Belgian observers, resettlement of Borinage miners, if laid off, will create a morale problem as elsewhere in Western Europe where workers are loath to move away from their homes for a new opportunity. Unfortunately, there are few alternative industries in the area and none capable of absorbing redundant mine labor. They predict that at best it would take a long time to adapt the area to its new future without hardship to many. Whatever solutions were applied, they had to be done gradually.

The Borinage coalfield is one small example of the problem that will have to be faced in other areas not only in Belgium but throughout the Community nations. Ruhr coal economists predict that 10 to 15 per cent of their mines will become marginal within the next few years. France already has undertaken a resettlement program for miners from low-production fields in Southern France to the rich fields of the Lorraine.

Beyond the problem of Europe's coal looms the prospect of increased competition from fuel oil. The mines of the Borinage have not yet suffered by such competition, yet the production of fuel oil in Belgium alone has risen from 856,000 tons in 1949 to over 2½ million tons in 1953.

BELGIAN COAL PRODUCTION CHART

	Borinage	Belgium	Coal & Steel Community	U. K.	U. S. A.
Output (1953-'000 tons)	4,621	30,030	236,900	227.8	434.1
Output per daily man shift (underground) (tons, June '54)	0.937	1.087	1.1982	1.595	*
No. of Workers (Sept. '54)	24,991	146,330	1,000,003	714,000	243,900
No. of Foreign Workers (Sept. '54)	9,817	58,200	—	—	—

*Breakdown for underground output in U.S. not currently available.

POST-KOREA STEEL BOOM

When the six Western European nations opened the common market for coal and steel their aim was to remedy a basic weakness which had become apparent in Europe's failure to keep pace with the industrial production of two flanking giants, the Soviet Union and the United States.

Steel, being the index of the modern economy, Europe's problems were symbolized by the fact that in 1929 it was producing nearly 36 million tons of raw steel yet by 1953 had not yet topped the 40 million mark. Today, in 1954, the boom—especially for light products—on the Community's steel market shows that Europe is off the production plateau and climbing up towards its neighbors.

In October, 1954, the Community's mills were producing steel at an unprecedented rate, equivalent to an annual output of nearly 48½ million metric tons. Orders have been pouring into plants since early Spring, following the mild recession of 1953. Today firms are producing at capacity and delivery dates are being extended. Some companies have been reported as turning down new orders and the books of many are full enough to commit their plants to work at full production until the third quarter of 1955.

One European steel manufacturer compared the situation to the "Korean boom" but added that in many ways it was a lot better. For one thing, production is higher than during the period when the steel industry was being primed by the Korea crisis. It now appears certain that the Community's raw steel output will exceed 43 million metric tons against the previous record of 41,800,000 at the height of the Korean boom in 1952. This time the foundation is more solid. The boom is being fed by consumer demand, not by arms.

Industry spokesmen say a partial explanation of the demand is due to a depletion in the stocks of consumers reluctant to buy in 1953. The main cause of the boom, they maintain, is, in fact, due to the flourishing economies of nations throughout the Community.

The biggest proportionate advances in output have been recorded in Italy and the Netherlands. But the outstanding, all-round performer has been Western Germany which in October produced steel at an annual rate of 19 million tons, equalling the area's postwar peak. West German production for the year is expected to be about 17½ million tons.

A sign of common market benefits was seen in the steadily increasing steel trade across frontiers. By September, the most recent month for which figures are available, 370,000 tons, or about 16 per cent of total deliveries within the Community were sold across national frontiers as against 10 per cent in 1952, the last pre-common market year.

Despite the big rise in demand, steel prices within the Community have not risen more than five per cent. One reason given for this price moderation, according to High

Authority economists, has been the ending of double pricing practices. Previously each government pegged prices low at home, permitting industries to make up for domestic restraint by playing the market for all it was worth abroad. Thus, in 1952, Belgian steel cost $84 in Belgium but $144 in the Netherlands. Now neither national governments nor the High Authority can require steel producers to fix prices. Double pricing has been outlawed and the High Authority's policy of enforcing the publication of prices by each producer has stimulated competitive pricing and realization among producers that consumers now are free to shop around in a much larger market than ever before.

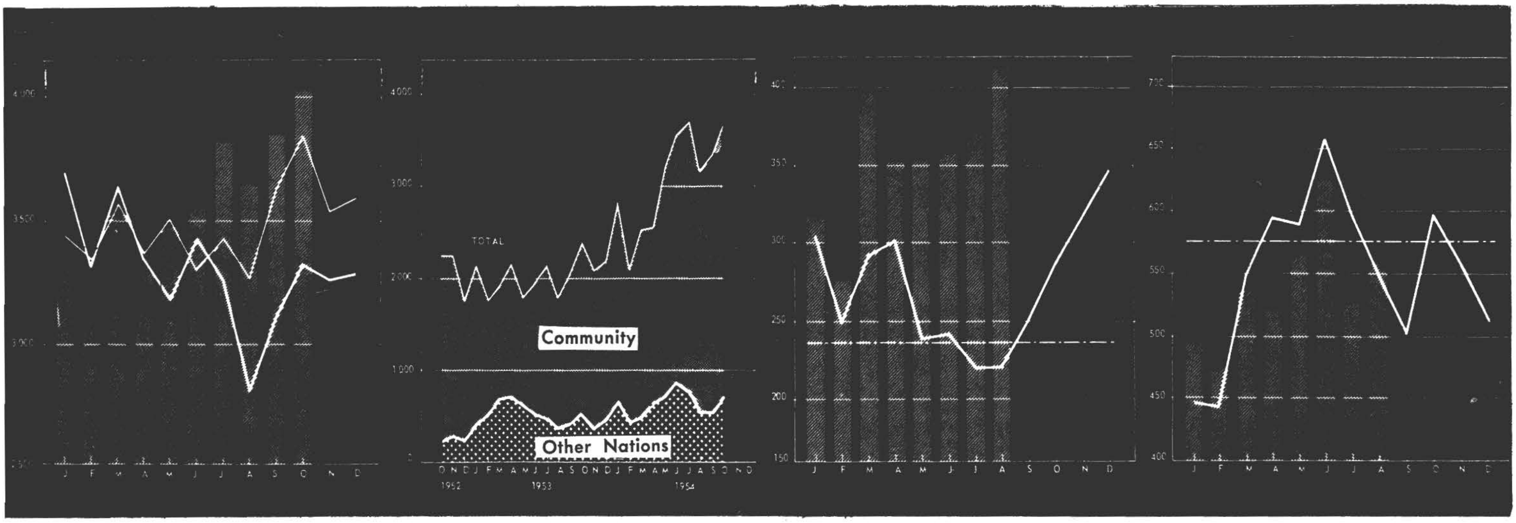
Most European producers agree that the common market for coal and steel is reaping the benefits of Europe's present economic health. Conversely they see the common market as helping extend the current high level of demand beyond a short-run "boom" period by guaranteeing consumers the free market and fair trading practices vital for an expanding economy.

STEEL PRODUCTION TRENDS IN THE COMMUNITY

1954 — 1953 — 1952 monthly average

in thousands of tons

Crude Steel Production | New Orders in the Steel Industry | Trade in Steel Products Within the Community | Exports of Steel Products for Nations Outside the Community



PROGRESS REPORT: INVESTMENTS

On April 24th of this year the High Authority received a $100 million loan from the United States Export-Import Bank. How will the Community benefit and how will the loan be shared out?

The aim of the loan is to stimulate new capital investment loans at much lower than prevailing rates of interest throughout the six Community nations for the purpose of developing the coal industry's investment program in order to lower production costs. A ton of coal which costs $8 in the United States costs between $11 and $13 in the Community. The high cost of coal has been one of the major factors in keeping up European steel prices.

The High Authority obtained the loan at an interest rate of three and seven-eighths per cent interest for 25 years. The terms, normal for this type loan in the U.S., are highly favorable abroad particularly in comparison with abnormally high interest rates charged by European banks for investment loans. It is, in fact, more favorable than any of the Community industries could have obtained separately. The primary reason is the strength of the Community's own securities in the form of a guarantee fund which in August stood at $36,000,000.

The loan will enable firms within the Community to borrow investment funds for productive purposes at low interest rates and it will also associate banks within the Community in the venture—persuading them to reduce high interest rates. The High Authority has set up definite criteria to ensure the best use of the loan money and stipulated that the Export-Import Bank loan can finance only *in part* expenditures proposed by loan applicants. It has agreed to lend a maximum of about 25 per cent of the total investment capital needed by individual firms providing that the remaining capital is obtained from banks or from the firm's own resources.

Nearly seventy applications from Belgian, German, Italian and French firms were received in Luxembourg by mid-November. On the eighth of December the High Authority allocated $61 million for capital loans to firms within the Community to be issued on the 31st of December. An additional $14 million was set aside for industry loans to be made during the early part of 1955. The remaining $25 million will be allocated as loans for workers' housing developments in the six Community nations.

Already, major banks in four of the six Community nations have earmarked funds for use alongside portions of the American loan. They include the Credit Nationale and the Caisse des Dépôts of France, the Société Nationale du Credit à l'Industrie of Belgium, the Kreditanstalt of Germany, and the Instituto Mobilare Italiano of Italy. All the banks have agreed to loan funds to supplement Community loans at substantially lower rates of interest than normally given. (Capital investment loans in Western European countries usually are made at an interest rate of nine per cent and higher.) This means Community firms will obtain loans much more cheaply than they could have done if they had, in the absence of the Community, applied for loans on the financial market using only their own credit.

High Authority rulings, to ensure the best use of the loan, are:

* consideration of applications will be limited to firms seeking to invest in coal, coke, or iron ore production, or in power stations (for purposes of converting unsaleable coal into electricity), or into workers housing;
* loans will be restricted to firms that can prove investments are urgently required and which will show results within a reasonably short period, and in any case within three years;
* applications will only be considered for sums of $500,000 and over. The High Authority considers that firms should be able to finance minor investment themselves;
* applications must carry full details of the proposed projects, details of past and current investments and a full financial report on the firms' activities.

This last investment proviso is to make sure that the firm is sufficiently stable to benefit from a Community loan. It does not, however, mean that the High Authority will restrict grants of loans to the most prosperous firms. Regional commissions of industry specialists, acting in an advisory capacity, have examined all applications. The High Authority will make the final decisions. All loans are expected to be concluded during the first two months of 1955.

Investment projects received to date include demands to build and expand electric power plants at pitheads (Belgium), modernization to bring about better coal extraction (Lorraine and Pas-de-Calais mines in France, Aachen in Germany) and a number of Italian projects to concentrate iron ore (Italy). As was expected, no requests came from the Netherlands or from Luxembourg. The loan is restricted to coal, coke, and iron ore, which these two countries largely import.

MONNET TO RETIRE

At a special meeting of the High Authority, held on Tuesday, November 9, 1954, M. Jean Monnet informed his colleagues of his decision not to stand for re-election as president of the High Authority at the expiration of his term of office on February 10, 1955. *

At the same time, he informed the members of the High Authority of the contents of the letter which he addressed to governments of the six member countries of the Community on this matter. He said he wanted to inform the governments of the six countries immediately of his decision so as to give them the time necessary for the election of a new president.

In announcing his decision, M. Monnet told the High Authority:

"It is to enable me to take part with complete freedom of action and speech in the construction of European unity which must be concrete and real that I resume this freedom on February 10, 1955, at the expiry of the mandate with which I have been entrusted as President of the High Authority.

"That which is now well on the road to success in the field of coal and steel in the six member countries of the Community must be followed through to its ultimate objective: the United States of Europe.

"The institutions of the Coal and Steel Community are, so far, the only European institutions to which the national parliaments of our member countries have consented to transfer part of their sovereignty and which they have vested with powers of decision. They have been functioning for the past two years, and the first European market is today a living reality in the Benelux countries, in France, Germany, and Italy.

"Our countries have become too small for the world of today, in relation to modern technical methods, and in comparison with the United States and the Russia of today, and of the China and the India of tomorrow.

"The unity of the European peoples, gathered together in the United States of Europe, is the means of raising their standard of living and of maintaining peace. It is the great hope and opportunity of our era. If we work unremittingly and unceasingly for this end, it will become the reality of tomorrow."

* On December first, at the special session in Strasbourg, the Common Assembly passed a resolution expressing gratitude for M. Monnet's contribution and at the same time expressed hope that the High Authority's president would be able to "modify his decision" to resign.

NEWS BRIEFS

Monnet Honored by U. S. Association

The National Planning Association has honored High Authority President Jean Monnet with the Association's Gold Medal Award for the year 1953 for "an outstanding contribution through planning to the betterment of human life."

The award was made by the NPA's Chairman of the Board of Trustees, H. Christian Sonne, at an awards dinner held in Washington, D. C., on December 13. M. Monnet was unable to attend the presentation because of urgent Community affairs. His acceptance speech was delivered by William L. Batt of Philadelphia, former Chief of the ECA Mission to the United Kingdom and a personal friend of M. Monnet.

M. Monnet expressed his regret at being unable to personally attend the ceremonies. In his acceptance speech, he stressed the changes brought about in Europe in the past two years through the Coal and Steel Community and cited the support given it today by producers and trade unionists alike.

Hailing the Community as the "first step toward a United States of Europe," M. Monnet added:

"But the area of European integration must be enlarged. Efforts to this end must today be made from outside the Community . . . Only by evolving a new and wider institutional framework will Europeans be able to solve the fundamental problems caused by the mutual hostilities and narrow economic limitations born of an outmoded system. . . But for those who organize in accord with modern means of production there is not merely the prospect of progress, but an unprecedented opportunity to transcend the divisions and limited forms of the past and to justify the motto "for the betterment of human life."

Consultative Committee Leader Addresses U. S. Coal Officials

The first President of the Consultative Committee to the High Authority, Helmuth Burckhardt, recently told a group of Pittsburgh coal industry leaders that European economic unity and the eventual political federation of Europe is the "real issue" in Europe today.

Mr. Burckhardt, who now serves as vice-president of the 51-man Consultative Committee, is director of one of Germany's large coal mining companies.

Warning against avoiding the "real issues" of Europe, Mr. Burckhardt said:

"At times it appears that the issue of Germany's contribution to the military defense of Europe constitutes the real European problem. In my personal opinion, this is not so. Nations will only defend a cause which deserves to be defended. Therefore one should first of all deal with the establishment of a community market, then the military problem will find its logical sequence."

Mr. Burckhardt described the role of the Consultative Committee, its structure, and its working relationship with the High Authority. He stressed the advisory capacity of the Committee but added that the High Authority generally sought the recommendations of the joint producer, consumer and labor advisory group before reaching important decisions.

The German coal industry leader admitted that "partial integration" constituted a "difficult problem." Although coal and steel production was rising, he urged that "care must be taken to encourage the greater purchase of heavy consumer goods such as automobiles, or refrigerators, before there is a market available for expanded steel output. In other words, the joint market for coal and steel will reach its intended efficiency only when a common market for the consumption of coal and steel is established—or as soon as the demand for increased consumption become evident."

The Community scrap importing agency, run by steel producers under High Authority supervision, is negotiating for the import of 500,000 tons of scrap from the United States.

Contracts are expected with three U.S. firms: Luria Brothers and Co., Schiavone-Bonomo Co. and Western Steel International Co.

The High Authority intends to use 25% of the American 100 million dollar loan for workers' housing in the six Community countries, and is negotiating for the allocation of national currencies as follows:

German Deutschmarks	worth	12 million dollars
French francs	worth	8 million dollars
Belgian francs	worth	4 million dollars
Italian lire	worth	1 million dollars

The High Authority has granted the European College, at Bruges, $10,000 for the maintenance of the Schuman chair, which provides courses on European integration and the development of the Community.

The High Authority has set up a film pool for the technical training of miners with a library of 50 training films suitable for dubbing in the four Community languages—Dutch, French, German and Italian. A similar film pool is slated for the technical training of steelworkers.

Readers, students and teachers, interested in pamphlets, special information, or statistics concerning the Coal and Steel Community may write to:
THE EUROPEAN COMMUNITY FOR COAL AND STEEL
Information Office, 222 Southern Building
Washington 5, D. C.

Chairmen of organizations dealing with international affairs may write to the above office for names of officials from the Community who will be available for speaking engagements in 1955.