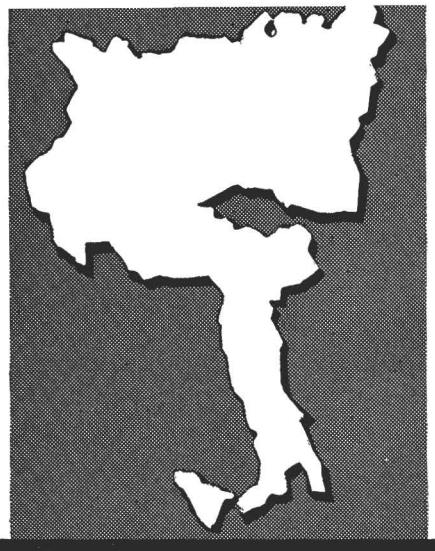
APRIL 1955 | NO. 6



Bulletin from the

EUROPEAN COMMUNITY

for coal and steel

INFORMATION SERVICE • HIGH AUTHORITY • LUXEMBOURG

TOWARD FREE COMPETITION IN EUROPE

The High Authority versus Cartels

American observers of the European economic scene view eventual results of the High Authority's anti-trust policy as one of the real tests of the Community's federal powers. It is likely, during 1955, that the executive body will initiate its first concerted action against cartels and concentrations. This report deals with the High Authority's powers to act in this field and with the situation in the Community as it exists today.

The President of the High Authority, Jean Monnet, frequently has described the Community's Treaty powers against cartels and monopolies as "Europe's first major anti-trust law". These powers are conferred upon the High Authority in Articles 65 and 66 of the Treaty instituting the Community. The most lengthy and detailed of the Treaty's 100 Articles, they, in effect, forbid producers' agreements that may in any way restrict competition, but allow concentration of industrial strength if the High Authority finds that such concentration does not hamper the freedom of the market.

In order to put teeth into the Community's anti-trust policy, the Treaty has armed the High Authority with formidable powers, including authority to penalize firms taking part in cartel action with fines up to 10 per cent of their annual turn-over and at even higher rates (up to 20 per cent of daily turnover in the case of daily penalty payments) for shorter periods. It can go still further and break up a merger by forced sale of its assets. These and other provisions of the Community's anti-trust laws have prompted some American economists to observe that these measures far outweigh the punitive powers granted the United States Government's executive branch through the Sherman and the Clayton Acts.

Distinctions at Law

In studying lines of policy toward trusts as laid down by the Treaty, it is important to note the distinction made between cartels and concentrations.

Cartels are presumed guilty until proven innocent and therefore, prima facie, forbidden. Their innocence is something that the High Authority alone can decide. The High Authority can authorize them *only* if they lead to a substantial increase in efficiency, are not more restrictive than is necessary to their immediate purpose, and do not confer on their makers power to prevent competition on the common market.

Concentrations, on the other hand, are presumed innocent unless the High Authority finds they distort the market. Accordingly, it must authorize them *unless* the newly-formed companies to which they give rise can restrict competition or establish themselves in "an artificially privileged position".

There is good reason for this distinction. Producers' agreements often, even usually, lead to restriction of trade. But technical developments generally require firms to

IN THIS ISSUE

Published and distributed on behalf of the High Authority of the European Community for Coal and Steel, Luxembourg, by Leonard Tennyson, Information Representative for the European Community for Coal and Steel, 220 Southern Building, Washington 5, D. C., telephone NAtional 8-7067 whose registration statement, together with copies of this bulletin, have been filed with the Dept. of Justice under 22 U.S.C., sec. 611 et seq. and are available for public inspection. Registration does not imply governmental approval.

expand in size to meet modernization costs and afford reorganization of production. Thus the concentration of industry is to be feared only when it leads to a grouping which commands excessive economic power. The High Authority's policy is to encourage concentrations which lead to greater efficiency in production or marketing and to lower production costs.

It is important here to note that where the High Authority, under special conditions, decides to authorize producers' agreements, the Treaty empowers it to set limitations and conditions upon such authorizations. For instance it may grant them for only a limited period with periodic renewals, if necessary, and it may immediately revoke or modify an authorization if through a change in circumstances the agreement no longer fulfills the conditions under which High Authority authorization was made.

Concentrations

The extent of industrial concentration in Europe today is contrasted sharply with the massive pre-war combines that once controlled the lion's share of the continent's industrial production. In the case of Germany, the Ruhr was run by a small number of big firms; the largest of these, the Vereinigte Stahlwerke, controlled over one third of Germany's entire steel output. Through the Potsdam Agreement of 1945, the Allies stepped in after the war with stringent deconcentration measures and fragmented the trusts—the only major ones existing in the coal and steel industries of Western Europe.

Thus when the High Authority took over responsibility for the European coal and steel market, it found a situation where even the largest firms were of a moderate size in relation to the common market's total steel production capacity.

Today, the largest firm in the Community, the ARBED combine of Luxembourg, with a production capacity of 2½ million metric tons a year, is no bigger than the largest British firm and much smaller than most medium-sized American steel corporations. Nothing in Europe can compare with the 36 million tons a year of the United States Steel Corporation or with the 18 million tons capacity of the Bethlehem Steel Corporation. No Community firm is in a position to control prices on the common market because of its size.

The New Face of the Ruhr

In the Ruhr, the High Authority has inherited the structure left by the Allied High Command's deconcentration policy. The pre-war economic concentration in the Ruhr had been partly a concentration of power, capital, and influence in the hands of small groups of people, and partly a technical concentration of coal with steel comparable to that of iron ore with steel in France.

The Allied policy was to end the power of the main shareholding families; to break up combines which, like the Vereinigte Stahlwerke, had a predominant position on the market, and to diminish the influence of the banks.

The basic plan called for increasing the number of Ruhr steel companies from 12 to 28—thus reducing their control over Ruhr coal production from 55 per cent to approximately 16 per cent of total production. Allowing for sufficient vertical integration to permit sound economic units, Allied policy at the same time did not permit companies to retain coal and other raw material assets extending further than their immediate needs.

The holdings of the great families were partially dispersed. At the same time, the influx of foreign capital into the Ruhr since the war—25 per cent of the shares in the Ruhr are now foreign-owned—has limited their influence.

The Allies have divided up the biggest combines and the most important deconcentrations are written into the German basic law which is specifically confirmed by the Faris and Bonn Agreements defining Germany's future status.

Finally the Allies sought to ensure actual independence of one company from another and to diminish the influence of the great banks which hitherto had automatically voted for small shareholders whose stocks were deposited with them. Interlocking directorates were prohibited in company charters and all shares in each company were re-

DEFINING TERMS

Few words in the international lexicon of economists are used with more imprecision than the words *cartel* and *concentration*. Here are a few statements and definitions to help clear a semantic path to the discussion of cartels and concentrations in the accompanying article.

A concentration occurs when separate firms producing the same or complementary products come under single control. The best example of concentration is a merger.

The ability of a concentration to limit competition in the same manner as a cartel depends upon the size of its production in relation to the total output on the market or alternatively its ability to seize control over access to supplies or outlets for goods.

Cartels are formed when separate companies engaged in the same line of business agree to follow policies designed to limit or eliminate competition. Their restrictive power depends not only upon the extent of their control over the market but also upon their ability to control the actions of their own members. (The term *trust* is sometimes used in distinction to *cartel* as meaning an agreement among producers to restrict competition only within a national market.)

Beyond a certain point, concentrations may reduce the number of firms producing the same product to a degree whereby they have, without agreement, the same effect as a cartel or reach a point where cartels may be facilitated. This latter point needs careful definition.

Any effective policy to break up restrictive trade practices must prevent both cartels and concentrations from dominating the market. But as mentioned above, one does not necessarily imply the other and care must be taken to distinguish between the effects of each.

quired to be registered and dividends paid only to the registered shareholders.

Allied policy, coupled with changes, such as the growing influence of managers, which time has brought into the structure of the industry, has profoundly modified the face of the Ruhr. The member states of the Community agreed during the drafting of the Treaty that after the Allied deconcentrations in the Ruhr, no concentrations existed in the six-nation area large enough to endanger the common market.

Three Regulations

For this reason, the structure of firms formed prior to the Community's establishment represents the point of departure for the High Authority which examines and passes upon concentrations occurring *after* it was set up.

The High Authority's criterion is an economic one—whether or not a concentration can distort the whole, or an essential part of the common market. It will authorize concentrations in the Ruhr and elsewhere which are technically sound and justified, so long as they cannot considerably reduce competition.

On May 6, 1954, the High Authority issued three regulations required by the Treaty, which outlines its policy on concentrations.*

The first defines the elements making for control of an enterprise. The second exempts firms forming small combines (of less than about 40 per cent of the capacity of the biggest present steel combines of the Community) from the requirement of receiving formal authorization from the High Authority. The third regulation defines the kind of information persons and enterprises outside the High Authority's jurisdiction must furnish to the executive body.

These regulations outline policy only very generally. As every case of concentration presents particular aspects of its own, it would not have been wise to fix too dogmatically or soon the line between which concentrations will be authorized or refused.

To cite a simple example of the complexities involved: a firm with a capacity of two million tons producing all kinds of steel will probably not distort the market. But another, producing one million tons of one kind of steel only, might quickly seize a dominant position on the market for that particular steel.

The High Authority has decided it is preferable to develop a kind of "case law" on concentrations, based upon the study of particular requests for authorizations. Its policy will thus grow out of study of specific cases rather than stand on general judgments. This is more akin to the British and American legal approach than to the traditional European view.

* These decisions are found in the "Journal Officiel" of the Community, Vol. III, Nos. 9 and 11, dated 11 and 31 May, 1954; a resume is to be found in the High Authority's report to the Assembly on the Situation of the Community, dated Nov., 1954, pp. 102-3 in the English edition.

The Trend Toward Greater Concentration

So far the High Authority has looked into 14 cases of concentrations and agreed to seven in France, Germany, Belgium, and Luxembourg.* The other seven are under study.

Apologists for cartels are likely as not to state the case for industrial concentration as the *raison d'etre* for cartel agreements. This, of course, is sheer fancy. The case for concentration, particularly in heavy industry, is evident in the demands technical progress makes upon producers. In the last few decades, technical advance (such as the continuous strip mill in steelmaking) frequently has forced smaller firms to concentrate in order to mobilize necessary investment capital for new equipment. In turn, the new equipment tends to make it uneconomic for plants producing all kinds of steel to maintain an output of under a million tons.

Producers of specialized steels who today have to make formidable investments, understandably try to diminish capital risks by ensuring outlets through various forms of concentration involving transforming industries.

These have been some of the main forces bringing about numerous postwar mergers which have, for instance, considerably altered the structure of the French steel industry, in which six combines, with an average capacity of 1,500,000 tons each, now control 65 per cent of the nation's steel capacity. The same tendencies exist in the Ruhr but requests for concentration so far received by the High Authority would not, in practice, greatly change the pattern of competition there.

Mannesmann, one of the Ruhr's leading industrial firms, has concentrated its holdings, amounting to an annual capacity of about 1.25 million tons of steel and some six million tons of coal. Under the Allies, the mines and the steel company of Mannesmann had been linked together by 15-year contracts amounting to virtual concentration in the classic manner of the verticle Ruhr combines between coal and steel trusts.

The Phoenixhütte, a steel-producing firm, and the Rheinröhren works producing steel tubing, are two of 18 component plants of the giant prewar combine Vereinigte Stahlwerke. These two firms are now merging. Actually they had, under Allied supervision, already combined their management boards. The High Authority, in examining the situation, found that there was no occasion to authorize or not authorize concentration since the two firms had, in fact, already amalgamated and that this step did not endanger steel competition.

Another concentration authorized in the Ruhr is quite different. The biggest German coal mine, Hibernia, which is state-owned (capacity 11 million tons) and a small

* In principle, the High Authority does not publish its decisions on mergers because of the possibility that they will affect the stock market. Usually, however, firms themselves disclose their intentions to concentrate, as in the cases mentioned in this article.

neighboring mine producing one million tons annually have combined. The neighboring mine had coke ovens but its coking coal was exhausted. By extending its galleries underground into Hibernia's seams, it could obtain the coking coal it wanted with a saving of many million dollars of investment.

Common Market Induces Concentrations

The common market has itself been a spur to concentration. Some concentrations are "supranational" now that export restrictions are gone. For instance, a French steel group, Sidechar, has bought interests in the Harpner mines in the Ruhr, which formerly belonged to the decartelized German Flick combine. Italian steel interests are also buying into German coal mines to help ensure raw materials supplies. Previously, partial ownership had not guaranteed for a foreign owner that export restrictions would not prevent delivery.

Other concentrations are due to the new trading situation brought about by the Community. A clear case authorized by the High Authority is the Ateliers et Forges de la Loire, a new group of special steel producers in central France. This group came into being to ensure the survival of member firms against the sharper competition of the common market. (See Bulletin Vol. II, No. 4, "New Deal for French Steel")

The prospect of greater competition may also have speeded the Community's first case of a concentration between big steel producers: John Cockerill and Ougrée-Marihaye in Belgium. Their principal plants stand next to each other beside the river Meuse near Liége. The firms have asked permission to merge, claiming their need to rationalize production and save heavy investment expenditures. Their combined capacity amounts to two million tons. As each is controlled by a holding company, the request for merger is being studied by the High Authority to examine the indirect effects of the concentration in developing a privileged position for the whole group. (Belgian concentrations authorized so far include a steel firm with two small transforming plants and a steel plant with a small neighboring iron ore mine.)

Cartels

Views toward international cartels have changed vastly between two wars. In 1926, when the first international steel cartel was formed in Europe, its openly-avowed objectives were to limit competition in international markets and restrict domestic steel production. It is interesting to note that at the time, a wide range of public and official opinion in Europe and the United States gravely sanctioned the new cartel as a great step forward in the direction of European economic stability. A little more than a decade later it had grown into a world cartel maintaining jurisdiction over about 90 per cent of the world's iron and steel trade.

By 1945 it was clear that world opinion had changed in its view of cartels. The Potsdam Agreement underlined the dangers of "excessive concentrations of economic power" as the result of the lesson learned in Germany. Thus, Allied policy against cartels in Germany following the war was guided by these objectives:

"To stimulate efficiency and productivity by the creation of competitive conditions", and to prohibit "excessive concentrations of German economic power, whether within or without Germany and whatever their form or character" and to prohibit "German participation in any cartel or other activity which had "the purpose of the effect of restraining international trade or other economic activity".

Today cartels are clearly and specifically outlawed on the common market and menaced by severe penalties. A common market uncontrolled by the High Authority certainly would have encouraged a "supranational" steel cartel. But no new cartel has come into being on the common market though there is little doubt that prices are still being fixed after informal consultations between producers.

The evidence of the recession of 1953 was that the resulting price coordination broke down when demand slackened. The opening of the frontiers in the common market led, when demand reached its lowest point in January, 1954, to considerable competition in the consumer's favor.

A similar conclusion can be applied to the "Brussels Entente", or so-called "export cartel", to which the Belgian, Luxembourg, French, and German producers belong. Though the High Authority has relatively few direct powers over the export market, the inability of the producers inside the common market to fix quotas or impose penalties on violators of the agreements without flouting the High Authority has made it hard for the agreements to be turned into an effective organization. The Entente seems to have submitted to and not initiated changes in export prices; investigations, for instance, into the pricing of Community exports to Denmark have not unearthed inequitable pricing to any significant extent.

One of the principal practical effects of the Community may well be that it is *preventing* the growth of an organized European steel cartel and the restoration of the prewar pattern of industrial relations.

Agreements Unearthed

The High Authority undertook its first action against cartels in July, 1953. At the time, it issued a decision enforcing prohibitions laid down in the anti-cartel article of the Treaty, Article 65. This decision compelled producers to bring agreements into the open and to apply for authorization. Non-compliance by September 1, 1953, made the agreements void. Seventy-one applications for authorization were received of which thirty-nine remain to be dealt with.

Those already dealt with involved minor joint selling agreements as for instance within each of the minor German coal fields of Aachen and Lower Saxony and the lignite field of Helmstedt. Another case involved the joint sale by Belgian steel plants of their rolled steel products,

amounting to three per cent of the common market production, too little to enable the firms to determine prices or restrict distribution.

Essentially, these agreement involve the use by small firms of sales organizations developed by bigger neighbors in cases where it would be too costly to build up separate outlets. These agreements are not considered important.

In a few cases, small national cartels, recognizing they had no power to subsist on the common market, dissolved of their own accord when it was opened. Likewise some semi-official agencies, such as the Dutch State Coal Office, were dissolved by their governments.

In other cases, the High Authority has taken action. Back in 1953 it required the ending of the national purchasing and distributing agencies for scrap iron in France, Germany and Italy. In July, 1953, it issued a cease-and-desist order with regard to illegal practices of a large coal-selling organization in Southern Germany that had been restricting the market.

Last January it requested the Luxembourg Government to modify the statutes setting up the State Coal Importing Office which though not a cartel, is considered incompatible with the common market. The Luxembourg Government is appealing to the Court of Justice against the High Authority's claim that the Office is allocating Luxembourg coal supplies.

However, the High Authority clearly recognizes that these individual actions, though important in developing policy, are merely marginal to the central problem. The main anti-cartel action by the executive body still has to be launched.

Coal Cartels

The problem of the coal cartels is most urgent and the High Authority considers it a priority issue. The common market for coal patently is dominated today by national sales and buying monopolies.

In the Ruhr, which produces half the Community's coal and up to 4/5ths of its coke, six sales agencies are controlled by an over-all agency known as the Gemeinschafts-organization Ruhrkohle—more commonly referred to as the "GEORG". The effect is that the six have the same price lists and the same sales policy and in many places, even the same sales agent.

In France, the agency set up by the government, the Technical Association of Coal Importers, the ATIC, enjoys a complete monopoly of the purchase of imports on behalf of a number of regional importers' cartels.

The High Authority must now strip these and counterpart organizations like the Belgian "COBECHAR" of the power they have acquired to influence prices and allocate sales. Until they have been divested of these powers the common market cannot guarantee consumers free access to supplies.

Discussions are now in progress over the transformation of the coal cartels in accordance with community law. The talks are at the substantive stage and the High Authority is in contact not only with the coal producers, but with trade unions, consuming industries, and governments of the member states.

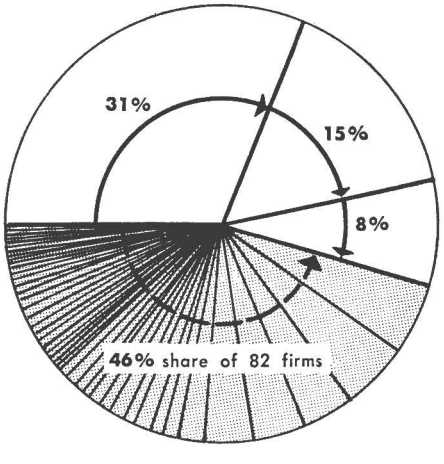
In coming months coal organizations on the common market will have to be modified. Even if they transform themselves, they will still have to request the High Authority's authorization for a revised set-up.

When the High Authority has dealt with the coal cartels, it will have to tackle those governing other products of the common market. Its aim is to eliminate existing illicit market practices before the end of the official five-year transitional period of the Community thereby confirming new forces of competition already released by the common market. When the power of the cartels to restrict that competition has been broken, the common market will correspond to the true competitive market system envisaged by the creators of the Community.

The High Authority's role in this field will then be that of the watchdog of the market—the task cut out for it by the Treaty. It will, above all, have to prevent the recurrence of the cartels in periods of diminishing demand.

STEEL CONCENTRATION IN THE U.S. AND THE COMMUNITY

How U.S. and Community Steel Production pies are cut

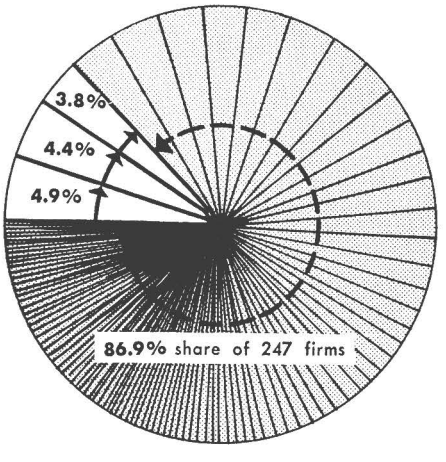


Share of U.S. Steel Firms

1954 Production 88,311,652 tons

Share of Community Steel Firms

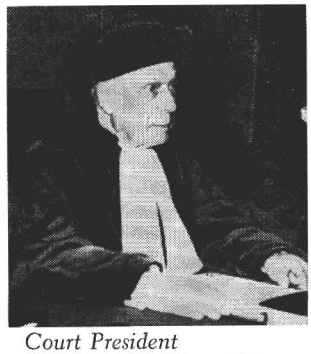
1954 Production 43,782,000 metric tons



Out of a total of 85 U. S. steel firms, three organizations produced 54 per cent of all U. S. ingot output while in the Community, out of a total of 250 firms, the three largest produced 10 per cent of the annual output and 15 firms turned out approximately 50 per cent of the Community ingot production.

DUTCH GOVERNMENT LOSES COURT CASE

The Community's federal Court of Justice recently handed down a judgment rejecting an appeal by the Dutch Government against the High Authority. Following is a brief abstract of that judgment for readers interested in comparative constitutional law.



Court President Massimo Pillotti presiding at appeals hearing

THE GOVERNMENT OF THE KINGDOM OF THE NETHERLANDS V. THE HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY

This case, which was decided on March 18, 1955, involved the validity of three decisions made by the High Authority in March, 1954, Nos. 18/54, 19/54, and 20/54. Those decisions had maintained in effect, for two major coal fields in the Community (the Ruhr and the Nord & Pas-de-Calais), the system of ceiling prices for sales of coal within the single market.

The Netherlands Government attacked the decisions on the following main grounds:

1. Violation of the Treaty establishing the Community, in particular Article 5 which directs the Community's institutions to carry out its activities with as little administrative machinery as possible; the argument here was that coal prices would have declined of their own accord, so that the imposition of ceilings was unnecessary. It was also contended that Article 61, the price-control article, had been violated because the decisions had operated within an existing and as yet undisturbed framework of market organizations (the coal sales organizations) which were themselves illegal under the Treaty.

2. Abuse of power. The argument here was that the High Authority had used its price-control powers, not to alleviate a situation of unduly high price, but to remedy a different condition for which different techniques were authorized in the Treaty, namely, the control of the market by the coal sales organizations. The Dutch Government pointed out that the ceilings actually fixed by the decisions were not much lower than prevailing prices previously listed by the coal producers, which, it contended, proved that price control was not the real objective of the decisions.

3. Major violations of procedure, in that the High Authority allegedly had failed to accompany its decisions with a proper statement of the reasons therefor as required by article 15 of the Treaty.

The Court of Justice rejected the Dutch Government's petition on all points and taxed costs against the Dutch Government. It disposed briefly of the issue of major violations of procedure, finding that the preambles to the decisions had contained adequate recitals of necessary advance consultation and of the ends to be served by the maintenance of coal price ceilings in some (though not all) areas of the Community.

On the issue of violation of the Treaty, the Court noted that by virtue of the anti-trust provisions of the Treaty and certain articles in the protocol containing the transitory provisions, the High Authority had a certain administrative flexibility in dealing with the agreements and concentrations which in the view of the Dutch Government violated the antitrust provisions, but that there was nothing inconsistent with the Treaty in using price controls to counter any untoward effects produced on the single market by these agreements and concentrations.

Perhaps the most interesting portion of the opinion is the Court's construction of Article 33 of the Treaty, which limits the Court's review of the High Authority's appraisal of the situation before it, "based on economic facts and circumstances, which led to . . . decisions or recommendations", to those cases where the High Authority is alleged to have abused its powers or to have been guilty of a clear misinterpretation, *meconnaissance patente*, of the provisions of the Treaty or of a rule of law relating to the application of the Treaty. The Dutch Government appears to have contended that the Court should find a clear misinterpretation of the provisions of the Treaty and should reject the High Authority's evaluation of the situation for two reasons: first, that the setting of maximum prices had in fact frozen prevailing prices at the ceiling; second, that the only dangers to production and full employment at the time of the High Authority's decisions were dangers which should have been averted if at all by setting minimum prices rather than maximum prices. (The Dutch Government, whose citizens are predominantly consumers of coal rather than producers was not arguing for the imposition of minimum prices but was alleging that in the current state of the market the setting of price ceilings had in effect put a floor under the market.)

The Court agreed that it had jurisdiction to consider whether there had been a manifest misinterpretation of the Treaty, but in proceeding to its consideration it exercised a kind of self-restraint which will be familiar to students of modern American constitutional law. It said that the misinterpretation would have to appear to flow from an obvious error in appraisal of the situation and found that such an obvious error did not exist. It had been stipulated that some prices, on being freed from ceilings, had actually risen, and the Court laid stress on this to show that it did not a priori appear that there was no necessity for the regulatory action taken by the High Authority.

Finally, the High Authority rejected the contention based on abuse of power, relying on the record of deliberations in the Consultative Committee and the Council of Ministers that took place before the decisions were promulgated and stating that the disturbing situation in the field of coal prices that faced the High Authority at the time it made its decisions could well have justified its actions.

PROGRESS REPORT: bureaucracy versus the common market

Bureaucracy takes its toll upon the common market with picayune and sometimes invisible obstacles to trade between Community nations. After major barriers fell, many so-called "administrative obstacles" to the complete functioning of a single market for coal and steel still remained to plague and delay trade across frontiers. As a result it is still harder to sell across a frontier than inside a national territory, even though the fundamental barriers have gone.

Now the High Authority, together with the governments of member nations, is attempting to clear away these trip wires to trade. The obstacles are many and varied. There are, first of all, export and import licenses. Governments are required by the Treaty to grant licenses automatically to Community shippers. But administrative red tape may hold up the granting of licenses so that, as French producers complained in 1953 when competition was high, delays result in the loss of contracts.

In some cases, administrative costs have had to be reimbursed to government agencies by producers or buyers shipping Community goods across a frontier. A "statistical tax" of one per cent, for instance, existed in one Community country; another still levies a ½ per cent administrative tax on all in-coming goods, including Community products.

Finally, the spectre of bureaucracy, paper work, shows itself at every frontier, where separate declarations must be prepared for customs officers on either side.

The Treaty gives the High Authority no direct power to eliminate these obstacles. Nevertheless, last year, using information supplied by Community producers, the High Authority began discussions with member states on ways and means of simplifying administrative procedures and ending obstacles.

First of all, the High Authority proposed that export-import licensing be halted since granting of licenses implied that governments still have a right of control over the delivery of goods through the common market. A simple declaration form containing only information needed by national statistical and exchange bureaus was recommended as a substitute. As a result, licensing orders that can be removed at this time, except for France, already are being eliminated and the ending of others is under study.* Similarly, only a few of the extra administrative costs of routing coal, ore, scrap, and steel across a frontier still subsist and governments responsible for them are being pressed for their removal.

There still remains the paperwork complaint—the excessive number of forms, applications, and declarations in triplicate and quintuplicate—which have to be filled in for the customs at every frontier. It is understandable that Community goods still must be declared to customs authorities if only to differentiate them from goods on which duties apply. But the High Authority aims at persuading member countries to simplify the procedure by adopting a single customs declaration which would be valid throughout the Community. A commission already examining the question has uncovered many legal and practical problems. A satisfactory solution is expected only after considerable negotiation and discussion.

If the High Authority's goal is reached, shippers of goods across Community frontiers ultimately will have to produce only two basic documents: a customs declaration valid throughout the common market, and a declaration in lieu of a license. The results, say proponents, will include a saving in time, effort, money, and probably not least, in the patience of shippers.

With no real power to engage in war against this form of red tape, the High Authority has had to work toward removing administrative obstacles on a piecemeal basis, depending partly upon the cooperation of member nations. The success of steps already taken leads observers to believe that all such obstacles still remaining can be cleared away. If so, the success of the operation will be another example of the High Authority's ability, because it is the executive of the Community, to win reforms in areas over which it has no precise mandate.

* Treaty provisions for the transitional period of five years before the full opening of the common market imply in certain cases that governments may reserve their right to license the sale of coal, iron, scrap and steel, particularly those imported from third countries during that time.

NEW SCRAP CONTROLS

The High Authority has reacted to the threat of a scrap shortage in the Community by instituting new controls on scrap imported into the common market.

The executive body decided, on March 26th, in agreement with the Council of Ministers, to reinforce Community powers over the distribution of imported scrap without imposing controls upon scrap trade within the common market itself. (See "Scrap in the Steel Boom", Bulletin # 5.)

The new control system (which assumes that imports will be sufficient in the coming months for supply and effective demand to balance out) will remain in force until March 31, 1956, and will include these new powers:

1). Greater High Authority supervision of the Community Scrap Consumers' office in Brussels which coordinates purchases by Community consumers on the international market. The High Authority will have a permanent delegate on the executive board with powers to summon the board and to act for it if it is unable to reach unanimous decisions on imports policy.

2). The office may now buy in order to build up stocks (not more than 20 to 30 per cent of total imports). Hitherto, the office simply acted as a channel for Community buyers purchasing scrap abroad.

3). The office will have powers to divert ships still at sea to ports nearest the regions in the Community areas where scrap shortages are most acute.

The High Authority has declared that if the above measures prove insufficient in changing scrap conditions, the Council of Ministers would immediately be consulted on future action.

THE MINER'S OUTPUT GOES UP

The last two weeks in February, 1955, for the first time since the war, the average output of each miner underground in Community coal mines climbed to more than 1.5 tons per shift. The increase, however, was still not enough to top the prewar (1939) mark of nearly 1.6 metric tons per-man-shift.

The natural process of time in the Netherlands and in Germany also has contributed to this decline. Moreover, in the Ruhr in particular, the need to produce coal in large quantities during and after the war, coupled with the difficulty of finding enough capital to sink new shafts, has resulted in the impoverishment of the best seams under exploitation. Since the war, continuing housing shortages and the high turnover of labor, in Belgium and Germany especially, have retarded development.

But today steady progress is being made, especially in France and the Saar where, under management of the French national coal board, the individual miner's production has risen by 30 per cent over prewar levels. Increases in these areas have been largely due to heavy new investments. In the Ruhr and Belgium, however, production is rising more slowly.

Comparisons between American and European coal production figures are likely to mislead because of widely varying mine conditions. In the United States, many collieries are "opencast" mines or mines exploiting rich, shallow seams. Most Community miners go down over 3,000 feet into the earth to work sparse and difficult seams—the penalty of exploiting the same resource for centuries.

Britain's mining conditions are more comparable to those in the Community and output is higher, though before the war it was lower. Today the British miner produces a ton of coal in a little over 4½ hours. The Saar miner gets out the same amount in less than 4 hours but the French, German, and the Dutch miner need between 4½ and 4¾ hours, while the Belgian requires almost seven hours. Today's figures, however, show that the Community miner's productivity is rising at a faster rate than in Britain.

The policy maintained by the High Authority is, of course, to push productivity in Community coal mines. Thus, the Export-Import Bank loan is being devoted almost entirely to improving colliery installations, building pithead power stations to transform low-grade coals into much-needed electricity, and to speed construction of miners' housing. By 1957-58, the High Authority expects the Community miner's output to reach its prewar average of 1.6 tons and to be well under way with its program to build 100,000 miners' homes. As small as the productivity increase seems, Community mining specialists say that because of the shortage of skilled miners and the thinning-out of high-yield seams, it will be accomplished only by a change in European mining techniques and a big increase in the mechanical efficiency of extraction in the mines.

FRENCH STEELMAKER CRITICIZES COMMUNITY

Pierre Ricard, President of the French Iron and Steel Federation, recently criticized the European Coal and Steel Community and its first High Authority President, Jean Monnet, in a speech before the Anglo-American Press Association in Paris. The French steel leader also expressed his opposition to proposals to extend the scope of the Community to other fields such as an arms pool or energy production. As reported in *The New York Times*, he castigated fellow countryman Jean Monnet for seeming to have paid less attention to coal and steel affairs than to the European Defense Community Plan and to the further integration of Europe. While conceding some benefits from the Community to the steel industry, M. Ricard specified that barriers to French steel production still existing included the absence of currency convertibility, differences in transport cost and in national social security benefits, the French Government's fixed prices for finished steel, and the lack of a Moselle River canal for cheaper transport of coke from the Ruhr. None of M. Ricard's specified complaints are affairs that can be controlled by the Community except transport rates which are now undergoing a drastic change. The other "barriers" come under the authority of national governments.

Coal, Raw Steel and Iron Ore Production

(per sq. mile and per head of population)

	Community Triangle		Pennsylvania Ohio & W. Virginia	
	per sq. mile	per head	per sq. mile	per head
COAL (tons)	8,172	7.3	2,310	12.5
RAWL STEEL (tons)	1,152	1.0	476	2.5
IRON ORE (tons)	1,781	1.6	55	0.3