

Bulletin from the
EUROPEAN
COMMUNITY
for coal and steel

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PREPARATIONS UNDER WAY FOR SECOND TEST OF 'EUROPEAN IDEA'

Foreign Ministers to Get Details of New Unity Plan Soon

NOTE: The following article is a summary of reported progress in a wider area of European economic integration as seen by a U.S. observer. As such, it does not necessarily reflect the view of the High Authority. This report is presented as background information on developments since the Messina Conference was held in June, 1955. Ed.

Today plans are being made to set the stage for a second decisive test of the 'European Idea'. It is doubtful whether the issue will be resolved before next year, probably early in the spring. At that time, adherents look for favorable national political conditions and a receptive climate of European opinion.

The first test was held more than a year ago, on August 31, 1954. The arena was the French National Assembly, and the issue was France's ratification of the European Defense Community Treaty. The result was a stunning defeat for the proponents of European unity.

Post-mortems of the French action made it appear to pro-Europeans that France had rejected the EDC, not so much because of its supranational implications as because of the Treaty's license to rearm Germany. Drawing some comfort from this analysis, unity supporters also concluded that the EDC rejection could be interpreted as a cautionary signal to advocates of a "full speed ahead" program of integration, both in the political and economic spheres. The planners of Europe decided that the goal could be reached only by a gradual, yet clearly defined program of economic integration.

Justification for the gradualist approach came, in succeeding months, from the record made by the European Community for Coal and Steel. Undramatic but substantial progress in the integration of coal and steel sectors was made because:

- a) the area of integration was limited,
- b) the aims of the Community were explicit,
- c) results were demonstrable, and perhaps most important,
- d) specific provisions in the Treaty, including a five-year "transitional period", were designed to prevent economic dislocations and ease the burden upon member nations in the "economic minority".

These were only some of the factors involved in the reassessment of the European situation and the search for a new avenue of approach to integration.

The second test of the European idea was proposed at Messina, Sicily, on June 1, 1955, where the Foreign Ministers of the six Community countries were given a new blueprint of unity, drawn up by the Benelux nations. They were called upon to accept or reject it as the basis for a new treaty-making convention. They did neither. Instead they referred the Benelux proposals to a technical study committee composed of specialists from each of their nations.

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The New Start Committee

Under the leadership of Belgium's Foreign Minister, Paul-Henri Spaak, a group of outstanding representatives from the Community countries set up headquarters in Brussels and formed the "New Start" Committee to investigate the practical possibilities of the Benelux proposals. (See ECC&S Bulletin No. 9 for July, 1955). Briefly, they were:

1. The common development of communications facilities;
2. The development of a common power policy and the development and exchange of gas and electric power;
3. The creation of an atomic energy authority and establishment of a common investment fund to finance research and atomic energy plants;
4. A single European market to be established "by stages";
5. The creation of a European investment fund, and
6. Harmonization of national social legislation.

In Brussels, where work got under way early in July, the first step was to set up separate study committees comprised of technicians and specialists from Belgium, France, Germany, Italy, Luxembourg and the Netherlands (observers from Britain, the OEEC, and the Council of Europe were also invited). The task of blocking out programs in each of the fields was assigned to separate committees. Coordination of activities was maintained under a separate managing (steering) committee.

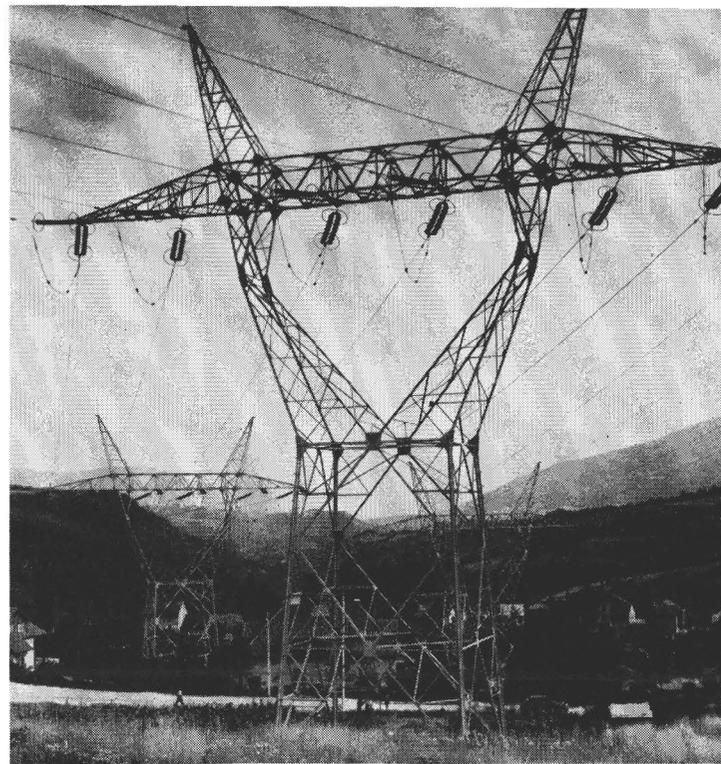
Single Market

A *Single Market Committee* led by Dutch economist Verrijn Stuart, and attended by OEEC and Council of Europe observers, surveyed problems raised by the establishment of a single market. Among them were:

1. the gradual abolition of tariffs, taxes, and other restrictions to trade between European nations;
2. the progressive standardization of customs regulations toward third countries;
3. the harmonization of general government policies in the economic and financial fields;
4. the monetary exchange situation involved in creating a single market, and
5. the abolition of conditions and practices tending to restrict competition.

Two subcommittees under the Single Market Committee were formed to investigate investments and social problems. The *Subcommittee on Investments*, under the chairmanship of Professor diNardi, of Italy, was assigned the task of examining ways and means of setting up a European Fund for investments and readaptation (reorganization of firms for greater productivity).

The *Subcommittee on Social Problems*, presided over by Louis Doublet of France, was charged with studying the problems of harmonizing national social security and welfare programs and of the free movement of manpower.



Power lines at the Genissiat Dam in the French Alps feed into a Europe-wide grid serving seven nations.

Photo H. Baranger

Conventional Energy

The *Committee on Conventional Energy*, under the chairmanship of Germany's Sigfried Heeseman, outlined a program to examine the situation involved in integrating the gas, oil, and electrical energy resources of the six Community nations. The Committee was able to take advantage of extensive research already done in this field by High Authority specialists. Among specific points the group charted for study were:

1. low-cost energy production factors;
2. the extent and availability of resources;
3. existing and potential investments in energy production;
4. existing agreements and international organizations for energy production and distribution.

Nuclear Energy

France's Pierre Guillaumat was named Chairman of the *Committee on Nuclear Energy*. The establishment of this group virtually coincided with the appointment of various national delegations to the UN convention on the peaceful uses of atomic energy. Significantly, both the German and the French representatives at Geneva publicly expressed strong faith in the possibilities of a European atomic energy pool. Although the nuclear energy study group did not face economic problems that were substantially more complex than those explored by other committees (in many respects the situation was less complicated because of the lack of vested interests in the field), it was the only Committee to deal with a field that would eventually require a separate executive similar to the High Authority of the Coal and Steel Community.

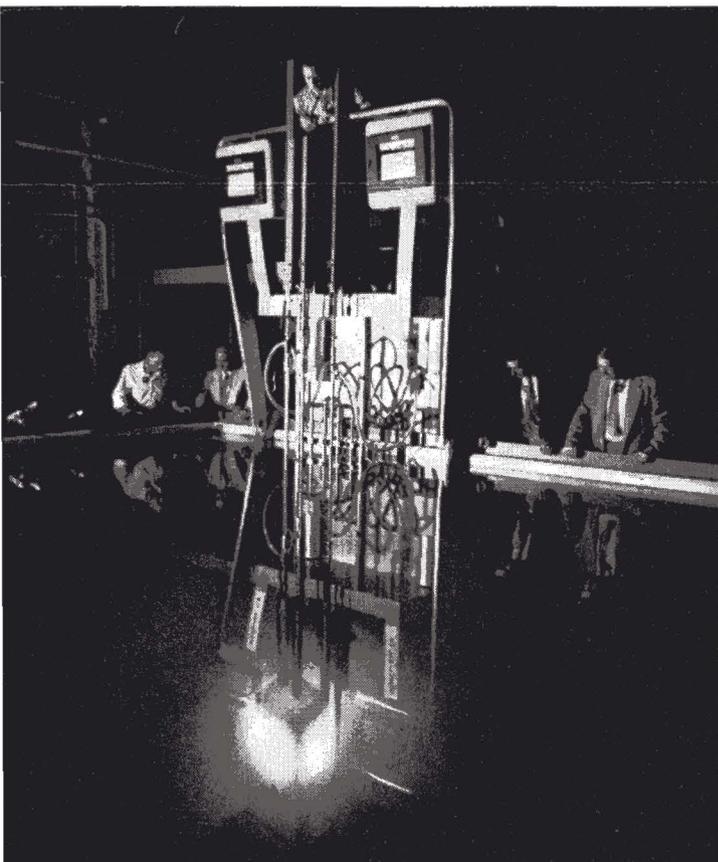
Some of the immediate problems to which the Nuclear Energy Committee gave its attention were:

1. the establishment of a common investment fund for construction of nuclear energy power plants, research, and the purchase of fissionable material;
2. the availability of fissionable material;
3. the coordination of national research programs;
4. national legislation affecting nuclear energy development;
5. existing agreements and treaties with third countries, and
6. administrative conditions for the establishment of an atomic energy pool.

Early reports indicated that French and German working papers offered the most comprehensive view of the European atomic energy situation, with the French delegation reportedly proposing the immediate pooling of present resources. The Belgian delegation was said to have pointed out possible obstacles to its membership because of recent agreements with the United States, Canada and the United Kingdom for the supply of uranium from the Belgian Congo.

Present thinking on the nature of the proposed European atomic energy pool shared by delegates from several nations is that its structure would follow that of the Coal and Steel Community and would, in fact, share some of the same federal institutions (as in the case of the European Defense Community Plan). Thus the Atomic Energy Pool would be regulated by its own high authority

The Brussels Committee on Nuclear Energy has been studying the possibility of establishing a common investment fund for the purchase of nuclear research equipment such as this small "swimming pool" reactor exhibited at the Geneva Atoms for Peace Conference.



and this executive body advised by a separate consultative committee. However, by amendments to the Coal and Steel Community Treaty, the authority of the Community's Common Assembly, Court of Justice, and Council of Ministers could be extended to include this new economic sector.

Transport and Public Works

The last group assigned to deal with problems raised by the Benelux proposals was the *Committee on Transport and Public Works*, headed by Professor Laloni, of Italy.

In this sector, as for the single market and conventional energy, considerable study had already been done by High Authority specialists, particularly on the subject of rail transport. The complexity of the European transport situation, with national, subsidized, and private ownership criss-crossing in the rail, ship, canal, and road transport fields, led observers to predict that no ready-made solutions to transport integration would be found. It was reported that observers believed unification of European transport would require many step-by-step transition measures. Such an approach has already been used for unifying rail transport of Coal and Steel Community products. (See ECC&S Bulletin No. 5, Feb.-March, '55).

Work under way by the Committee included studies into:

1. existing international rail and waterway agreements;
2. standardization of administrative codes;
3. the establishment of a common investment fund for highway development;
4. the harmonization of rail traffic regulations and "rates of fall"; and
5. a survey of existing rail, road, and waterway transportation facilities and a review of national transportation projects planned and under way.

Two undercommittees set up by the Transport Committee included a *Subcommittee on Air Transport* and a *Subcommittee on Postal Affairs* (post and telegraph services). In the field of air transport, an inquiry was started into the ways and means of standardizing European commercial aircraft production and pooling some of the operations and administrative activities of the national airlines of the Community nations, such as has already been done in the Scandinavian countries.

The findings of the four committees will be turned over to the management group of the Brussels Committee by October 15th for review. Under the direction of M. Spaak, the work of the technical groups will be assembled in final report form for presentation to the Foreign Ministers on October 31st. The date of delivery is 30 days later than had been specified by the Foreign Affairs leaders in their meeting at Messina. The Council of Foreign Ministers is expected to hold several meetings following receipt of the report in order to study its contents before it is formally submitted to each member gov-

ernment. According to an agreement made at Messina, the report will provide the basis for acceptance or rejection of a treaty-drafting convention to carry out the terms of the Benelux proposals. If the member nations

agree to a new treaty convention, then the first stage of the "second test" will be passed. The second and third stages will be the signing and the ratification by member governments and parliaments of a new unity pact.

AFTER THREE YEARS

A Report on Progress and Achievements

A little more than three years have passed since August 10, 1952, when the High Authority took up its executive duties in Luxembourg. Half of the five-year transition period, which began six months later on February 10, 1953, has elapsed.

Over this period there have been marked changes on the European political and economic scene bearing upon the future of a united Europe. Not all the events, notably the defeat of the EDC, strengthened the fabric of European unity. However, where political events ran counter to the timetable of integration, economic developments and changes showed heartening progress toward the goal of economic unity.

In June of 1955, the UN's Economic Commission for Europe (ECE), in summarizing the position of the European steel market, stated:

"The High Authority has achieved its initial objective of setting up a common market and is now tackling such problems as the simplification of administrative regulations, the abolition of formalities affecting trade between member countries, the complete removal of discrimination in transport rates, the full application of the Treaty provisions concerning agreements and arrangements affecting prices, and the harmonizing of internal taxes and the impact of social changes".

The Position of the Community in Relation to the General Economic Situation

Against the background of general economic expansion in the Western World, the Community occupies an ex-

ceptionally favorable position. By comparison with preceding years, the industrial production index of the Community countries for the first six months of 1955 climbed 12 per cent as compared to nine per cent in the United States and only seven per cent in Britain.

The Steel Market

In the first half of 1955, the Community's crude steel production reached a monthly average of 4.3 million metric tons, or 25 per cent more than for the first six months of 1954, representing an annual rate of 51.5 million metric tons. Trade in iron and steel products between Community nations during the first four months of 1955 reached a monthly average of 470,000 metric tons, a 270 per cent increase over trade for the same period in 1952.

This heavy increase in trade within the single market unquestionably has been encouraged by the Community's Treaty provisions forbidding dual pricing, a hitherto customary practice in western European foreign trade.

A comparison of the development of prices in the single market with prices in the world market reveals that the removal of trade barriers has had a stabilizing effect. The basic prices for steel are a little higher today than they were during the less favorable economic situation prevailing in 1953. On the whole, however, they have remained close to the moderate level existing when the single market was introduced. On the other hand, in Britain and the United States, the level of prices shot up steeply during the same period.

Industrial Production Index (1949=100)

	1953		1954		1955	Per cent of Prod. increase
	Jan.- June	July- Dec.	Jan.- June	July- Dec.	Jan.- June*	Jan.-June '55 over Jan.-June '54
Belgium.....	112	114	120	123	129	+ 7.5%
France.....	119	111	127	126	140	+10.2%
Saar.....	138	135	143	151	156	+ 9.1%
Germany.....	169	184	188	207	219	+16.5%
Italy.....	142	153	157	164	169	+ 7.6%
Luxembourg....	126	111	115	127	134	+16.5%
Netherlands....	122	130	138	143	151	+ 9.4%
Community.....	140	144	153	161	172	+12.4%
United Kingdom.	114	114	122	121	130	+ 6.6%
United States....	139	135	128	129	140	+ 9.4%

*Provisional figures.

Crude Steel Production

(annual rates in millions of metric tons)

	1953		1954		1955	Per cent of Prod. increase
	Jan.- June	July- Dec.	Jan.- June	July- Dec.	Jan.- June	Jan.-June '55 over Jan.-June '54
Community.....	41.2	38.1	40.6	47.0	51.5	+26.8%
Great Britain...	18.4	17.4	19.4	18.3	20.5	+ 5.8%
U. S. A.....	105.1	97.4	80.1	80.2	103.8	+29.6%

The Coal Market

Serious shortage problems face the Community's coal mining industry as a result of increased demand for solid fuels from iron and steel producers. During the

first six months of 1955, it was possible to raise the Community's hard coal production by only three per cent over that of the previous year, while production in the United States during the same period increased by 20 per cent, indicating the marginal nature of European coal production as compared to that of the U. S.

To meet growing fuel needs, Community coal consumers are falling back on imports which will continue to come primarily from the United States. Imports of U. S. coal which, until the middle of 1954 had averaged about 500,000 metric tons a month, suddenly jumped for the first half of 1955 to over one million tons a month, nearly equal to the volume of imports for the full year 1954.

Hard Coal Production

(annual rate in millions of metric tons)

	1953		1954		1955	Per cent of Prod. increase Jan.-June '55 over Jan.-June '54
	Jan.- June	July- Dec.	Jan.- June	July- Dec.		
Community	237.6	236.3	238.6	244.7	246.0	+ 3.1%
Great Britain	230.6	225.0	233.1	222.6	226.4	- 2.9%
U. S. A.	431.3	442.5	353.8	406.7	420.0	+18.7%

Hard Coal Imports of the Community

(monthly averages in thousands of metric tons)

	1953		1954		1955	Per cent of Import Increase Jan.-June '55 over Jan.-June '54
	Jan.- June	July- Dec.	Jan.- June	July- Dec.		
Total Imports	1,167	1,126	1,143	1,177	1,420	+ 24%
from:						
U. S. A.	573	539	469	563	873	+ 86%
Great Britain	438	405	470	408	349	- 26%
Poland	93	106	132	62	70	- 47%
U. S. S. R.	29	44	44	74	95	+116%

The Future Pattern of Energy Consumption

High Authority power experts and economists recently embarked upon a long-range study of western Europe's power requirements over the next decade. Their aim is to determine in what sectors of the economy power demand will increase, and at what rate; the expected rate of expansion of power production from different energy sources, and whether conventional energy resources will be able to keep pace with the demands of an expanding industrial economy.

One country study already completed in Italy provides an example of the relationship between European industrial development and energy consumption, and indicates how certain sources of energy are rapidly taking the lead over traditional sources.

The Italian study assumes a parallel development between industrial output and energy consumption. It records the changes in consumption of coal, electrical energy, oil, methane, and liquid gas from 1938 to 1954. It also estimates the average rate of industrial expansion for the same period of time. By projecting these averages over the next decade, the Italian study shows that industrial output will increase by 1963 to the index of 154 (1954=100) and that the total consumption of energy at that time would be equivalent to 75.5 million tons of coal as compared to the equivalent of 48.9 million tons of coal in 1954.

A further analysis shows that the increase over the ten-year period will distribute itself among the five chief sources of energy as follows:

SOURCE	1954	1963
coal (in millions of tons)	10.7	12.1
electrical energy (kwh)	31.2 M.	43.1 M.
oil prod. (millions of tons)	10.4	20.0
methane gas (cubic meters)	3.0 M.	8.0 M.
liquid gas (millions of tons)	0.27	1.0

The percentage of use of various sources of energy within the total consumption framework can be determined as follows:

year	coal	elect. en.	oil prod.	methane	liq. gas	total
1938	49	37	14	0	0	100
1954	22	38	32	7	1	100
1963	16	29	40	13	2	100

FINAL RATIFICATION CLEARS WAY FOR COMMUNITY PACT WITH BRITAIN

Council of Association to Meet This Fall

Britain's ties with continental Europe were strengthened on September 23rd when the Treaty of Association between the Community and the United Kingdom was ratified by the last of the six Community nations.

The pact, signed on December 21, 1954, set up a Council of Association composed of four United Kingdom representatives and four officials of the High Authority. The first meeting of the Council is expected sometime this fall when the British delegation under the leadership of J. A. M. Marjoribanks meets with High Authority representatives to discuss such international aspects of coal and steel as trade policy, investments, pricing, etc. The primary duty of the Council will be "to examine

restrictions and other factors affecting mutual trade in coal and steel between the two areas with a view to making such proposals for their reduction or elimination as may be agreed upon for the mutual benefit of the United Kingdom and the Community".

One of the first items expected to be treated, when the Council stages its first meeting, will be exchanges of coal between the Community and Britain. Britain reportedly plans to ban virtually all coal exports in 1956 in order to reduce imports of coal, particularly from dollar areas. However, the High Authority views the embargo as a threat to those Community producers who are traditional consumers of British coal, particularly in light of the current coal shortage.

NEW STUDY COMPARES "REAL WAGES" OF COMMUNITY MINERS AND STEELWORKERS

Year-long Statistical Project Is First of Its Kind in Europe

A detailed study of the "real wages" of coal miners and steelworkers in the member nations of the Community has recently been published by the High Authority. A special issue of the High Authority's *Statistical Information* (Vol. 2, No. 5) contains the results of the inquiry which measured the comparative consumer purchasing power of wages earned by Community workers.

The study findings revealed, among other things, that real wages in Community industries vary only slightly from country to country—much less, in fact, than wages between different industries in any single country of the Community. It also showed that (in 1953) a Dutchman could buy more than a Frenchman with his wages, although the situation would appear reversed if the comparison had been made on the basis of a nominal wage corrected by official exchange rates.

Purchasing Power Parities

In undertaking the study, the High Authority decided to avoid basing comparisons of net incomes on the official exchange rate of the U. S. dollar. Economists felt that official rates of exchange did not always reflect the real relation between the level of prices prevailing in different countries for consumer goods. To make fair comparisons of real incomes, it was decided instead to set up a list of consumers' *purchasing power parities*, to convert nominal incomes of miners and steel workers into real net incomes.

The parities were computed on the basis of a price survey of consumer goods. Some 220 items, agreed upon as basic goods consumed by workers in the six member nations, were selected as parity items. About 22,000 price tags were inspected in about 2,000 shops throughout mining and steel mill regions in the six countries. The quality of each item was also carefully noted for comparison. The survey was carried out by High Authority specialists in collaboration with the statistical offices of member states, producers, consumer groups, and trade unions.

"Household Baskets"

In using the consumers' purchasing power parities system, economists noted that the comparison of real incomes could not be expressed in a single figure even if comparing, for instance, the net incomes of French and German miners. A great deal, they decided, depended upon the structure of consumption (nationally determined) on which calculations were based. Thus, in making comparisons between France and Germany, it was necessary to base evaluations either on the French buying habits ('French household basket') or on the German buying

habits ('German household basket'). Perhaps another way to look at the problem is to visualize the situation wherein the German worker takes his wages to France and lives the life of a Frenchman while the French worker, with his wages, goes to Germany to live as a German. (See chart, page 7.)

Some Results

In the case of coal miners, the High Authority study compared incomes in six countries and for steelworkers, in seven nations. The data were compiled for the year 1953, and the study includes a large number of statistical tables.

The figures show that in the coal mining industry in 1953, Saar miners took home the highest real income, followed closely by miners in Belgium and the Netherlands. After these came French and German miners, with miners in Sardinia taking last place.

In the steel industry, Luxembourg steelworkers led the field in real net income, followed by Belgian workers. The remaining countries showed slightly lower incomes and were statistically grouped close together.

Another significant factor in determining wages turned out to be state-granted family allowances. Because of these allowances, married workers with two children were shown to have a considerably higher real income than those without family.

Study Only First Step to Wider Survey

Family benefits and other cash emoluments were reckoned into the comparison of real wages among workers in various countries. However, one point of contention raised by critics, mainly French industry representatives, was that the statistics ignored other contributions to real incomes such as government services (health and welfare benefits, social security, etc.). Replying to the criticism, the High Authority acknowledged the limitations of the study which they termed only an initial step in the direction of a much wider investigation of Community living standards.

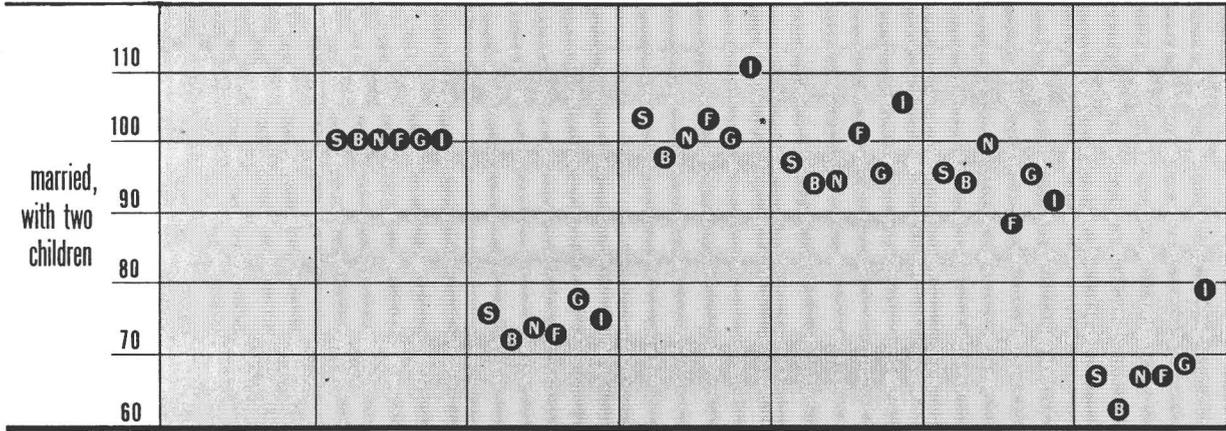
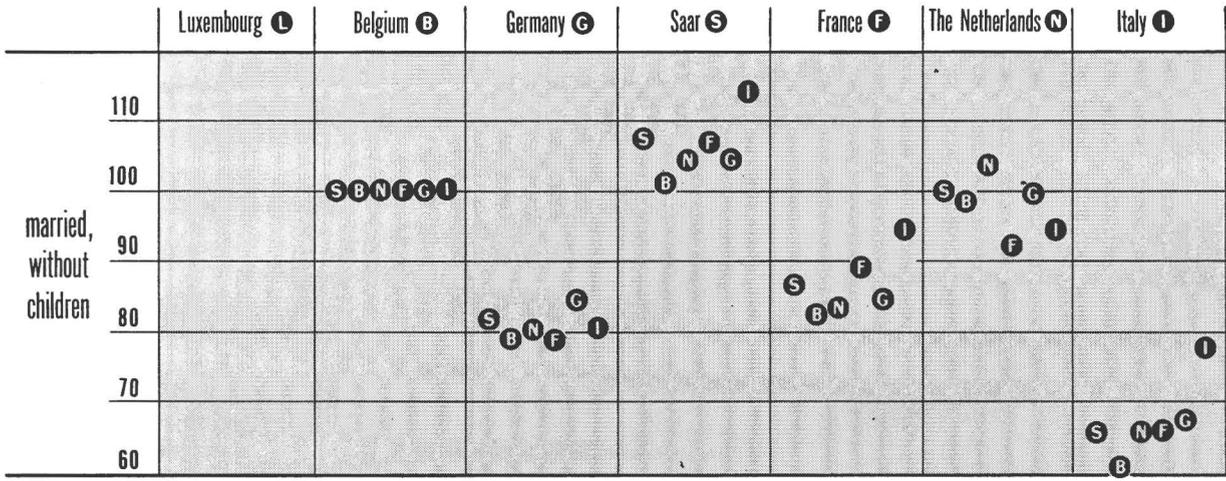
The present study deals only with the *comparative* purchasing power of the Community worker based on the value of the wages he obtains. These, in turn, are expressed in terms of the amount of consumer goods his wages will buy. It leaves out all other sources of revenue. Nor does it investigate the matter of family incomes (as opposed to the single income of the family head) or of the variations in housing costs throughout the different countries. However, the High Authority has included these inquiries in its timetable for further studies. A study similar to the present one, providing real wage figures for 1955, will be available in a few months time; early in 1956 the High Authority will undertake a study of family incomes.

A comparison of the real wages of Community workers—1953 per worker's "Household Basket"

Coal miners

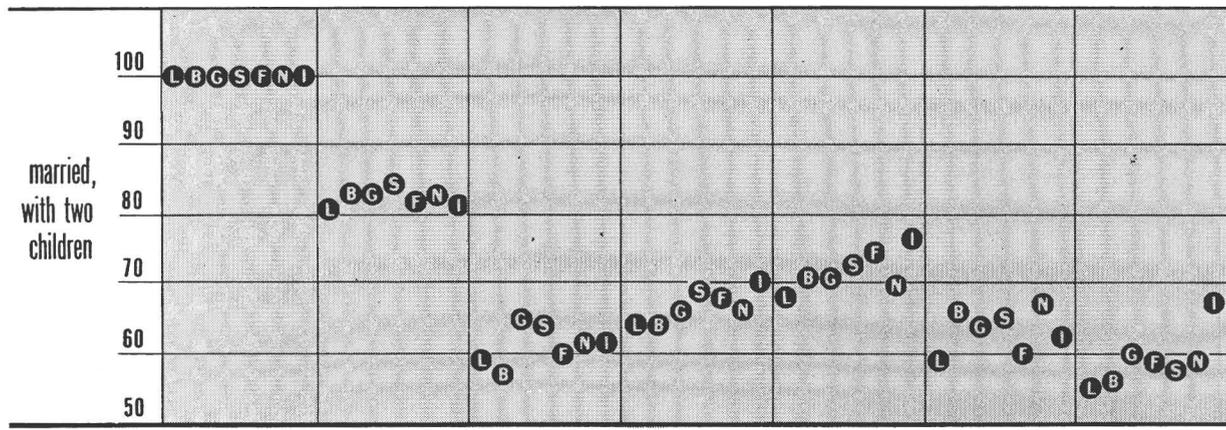
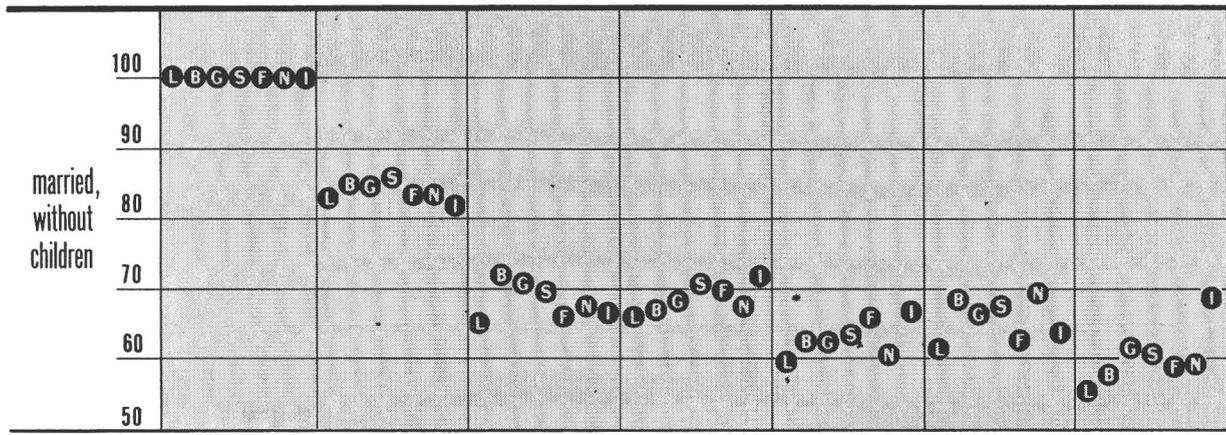
Miners working underground with housing furnished by the mine

Belgium = 100



Steelworkers

Luxembourg = 100



TRADE UNIONS SUPPORT NEW INTEGRATION STEPS

Meeting in Brussels on August 25th, representatives of the International Confederation of Free Trade Unions adopted a resolution re-defining the stand of Europe's free trade unions toward European economic and social integration.

The trade union representatives were members of the ICFTU's European Regional Organization (ERO). They met under the chairmanship of Britain's C. J. Geddes to lay down labor's policy toward new integration steps now being studied by the six-nation "Brussels Committee" headed by Belgium's Paul-Henri Spaak.

The labor leaders expressed favor with a "step-by-step" approach to economic integration, urged the gradual elimination of all tariff barriers, and supported the proposal for a European investment fund to speed the growth of underdeveloped industry areas in Europe. The ERO conference also supported the Messina proposals (see Bulletin No. 9 for July, 1955) for economic integration of transport and atomic energy, and called upon its international membership to carry on an educational program to advance the European idea among workers.

U. S. ENVOY NAMED

The State Department recently announced the naming of career diplomat W. Walton Butterworth as U. S. envoy with personal rank of Ambassador to the High Authority of the Community.

The United States has maintained diplomatic ties with the Community since 1952. However, Mr. Butterworth's appointment marks the first time the United States has sent a full-time representative of ambassadorial rank to the High Authority headquarters in Luxembourg. Before his resignation last January, David K. Bruce, former U. S. Ambassador to France, served as special representative in Paris with rank of ambassador to "European organizations", which included the Community, the OEEC, and the proposed EDC.

A member of the Foreign Service since 1928, Mr. Butterworth's most recent assignment had been as Minister of the U. S. Embassy in London. He also served as U. S. Ambassador to Sweden from 1950 to 1953.

The nomination of a full-time envoy to the Community, according to the State Department, "reflects the importance which the United States Government attaches to the European Community for Coal and Steel."



NEWSBRIEFS

High Authority Dissolves Scrap Cartel

A German steel producers' organization formed for the purpose of ensuring deliveries of scrap iron and steel to member firms was outlawed by the High Authority last July 20th. In handing down its ruling, the High Authority declared that the organization, the "Westdeutsche Schrott-Einkaufverein", was a cartel whose operation violated the anti-trust provisions of the Community Treaty.

Specifically, the High Authority declared that the scrap-buying organization would tend to hinder competition more than it would help German steel producers. It cited the fact that the German steel industry used more than 40 per cent of all scrap consumed in the Community and that the German scrap-purchasing organization therefore was in a position to dominate the market by fixing prices and allocating supplies.

Coal Imports Climb Sharply

At a Paris meeting of the OEEC's Coal Committee on September 16, a "stock-taking" of western Europe's coal supplies revealed growing shortages that could be halted only by importing some 10 million tons of coal during the last quarter of 1955. OEEC coal experts predicted that Europe's coal imports from the United States would top 22 million tons for 1955.

Former Marshall Plan Chief Visits Luxembourg

After a visit to the High Authority headquarters in Luxembourg on Sept. 27, ex-Marshall plan administrator Paul Hoffman said at a press interview that he considered that the single market was the most direct solution to Europe's long-range economic problems. Mr. Hoffman, now Chairman of the Board of the Studebaker Corp., said that according to U. S. experience, he believed it was quite possible to triple or even quadruple Europe's income by introducing a broad single market.

Two Assemblies to Stage Joint Meeting

October 28 has been set as the date for the first joint meeting ever held of the Assemblies of the European Community for Coal and Steel and of the Council of Europe. The meeting will be held in Strasbourg, headquarters of the Council, where the Community's Common Assembly holds its regular sessions.

Forthcoming Unity Talks Between Italy and Germany

According to reports from Rome, Italian Premier Antonio Segni and Foreign Minister Gaetano Martino will visit Bonn on October 21 and 22 to discuss the Benelux unity proposals with Chancellor Adenauer and members of the German foreign office.