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COMMUNITY
for coal and steel

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SIX NATIONS SETTLE TREATY TERMS FOR EUROPEAN ATOMIC ENERGY COMMUNITY AND GENERAL COMMON MARKET

Speedy Ratification to be Sought Following Signing of Pacts in Rome this Month

A ceremony to take place in Rome this month will mark the signing by the heads of six European Governments of two historic treaties which have been nearly two years in the making. Agreement on the twin pacts for a European Atomic Energy Community and a Common Market was reached in Paris on February 20th, following a two-day session between the Chiefs of State of Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands.

Participants viewed these two steps, preceded by the 1952 Treaty establishing the European Coal and Steel Community, as moves that not only bring about complete economic integration in Western Europe but also the eventual political union of the six continental nations. Mindful of the prolonged delay in ratification and the final defeat of the EDC in the French National Assembly, the Heads of State were expected to work speedily toward bringing the treaties before their national parliaments for debate and final ratification. Although no deadline has been set, participants at the Paris Conference were confident that ratification debates in all six Parliaments would take place before mid-summer.

Deadline and Deadlock

The past months of January and February were marked by an unparalleled burst of "European" activity throughout the Community. Spurred by knowledge revealed in the Suez Crisis that Europe stood in real danger of becoming an economic victim of Middle East oil politics and also by the realization that by next fall or earlier, one or both of the strongly pro-European Governments in Bonn and Paris may have fallen, representatives of the six Community nations worked feverishly to complete the two treaties in time to make ratification possible by summer. One deadlock after another arose to confront the six delegations meeting at the 18th century Chateau du Val Duchesse near Brussels. Gradually, through patience and compromise, one by one, the major obstacles were cleared away and the way opened for agreement. Yet it remained for the Chiefs of State, at the eleventh hour, meeting in Paris on February 19, to hammer out the final compromise making full agreement possible.

The Points at Issue

Somewhat surprisingly, the Euratom treaty proved a less formidable obstacle in the way of agreement than the Common Market, despite the former's supranational character. By the end of January, Euratom was virtually

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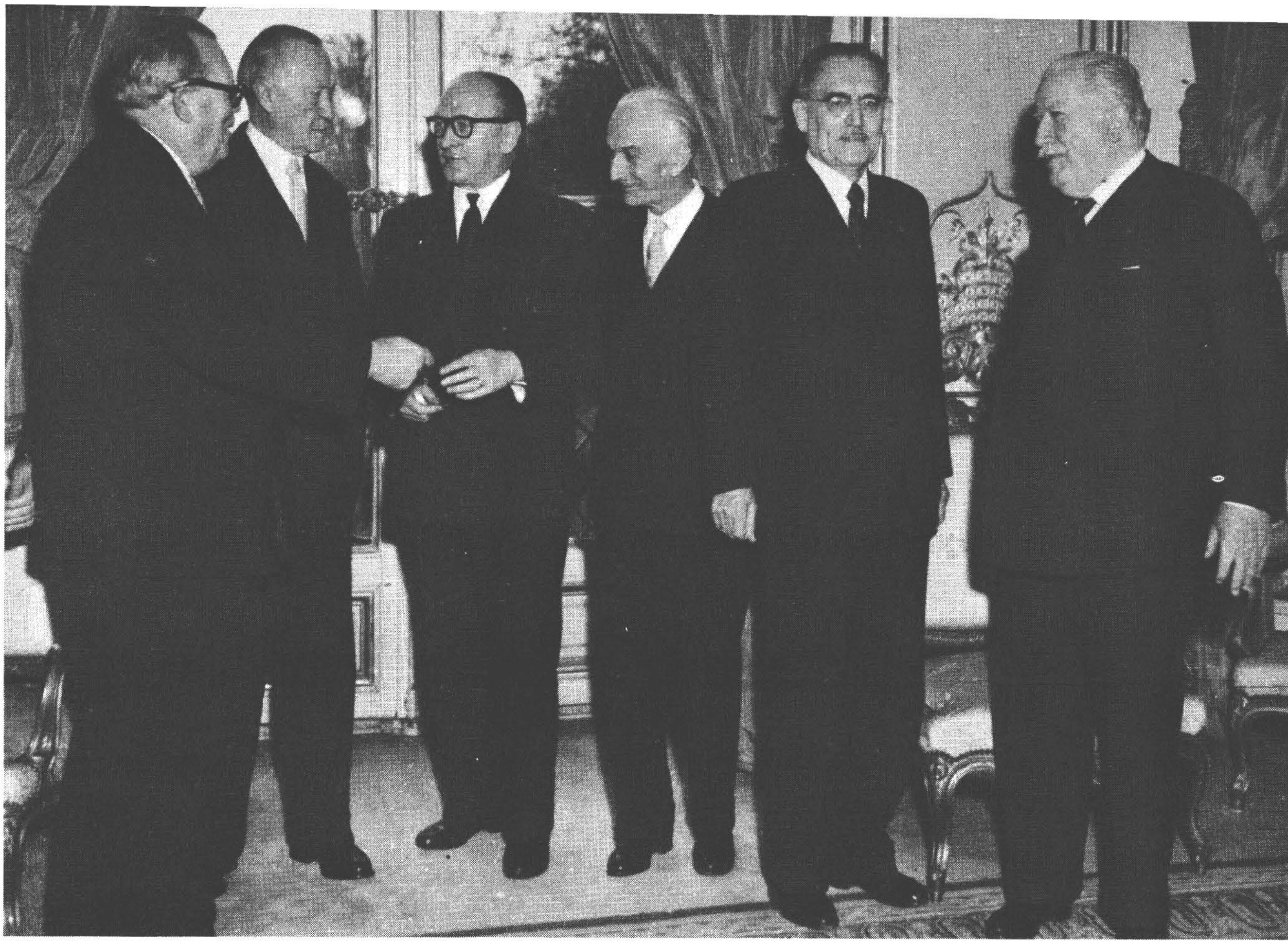


The Prime Ministers of the six Community nations met in Paris at the Hotel Matignon on February 19 for a conference on the Common Market and Euratom treaties. Seen here, after the first meeting, they are, left to right: Achille van Acker of Belgium; Konrad Adenauer of Germany; Guy Mollet of France; Antonio Segni of Italy, Wilhelm Drees of the Netherlands, and Joseph Bech of Luxembourg.
Wide World Photos

completed, but the Common Market still contained several highly-contested articles. The main points at issue in the Common Market treaty were:

Overseas Territories—in which the question was not whether they should or should not be included in the Common Market but to what extent Community countries should contribute to a common investment fund for overseas territories;

Agriculture—what safeguards should be adopted for the Community's high-cost farmers;

The Common Tariff—on what basis should tariffs on products from "third countries" outside the Community be calculated, the limits of these tariffs, and exceptions for the Community's low-tariff nations, and

Transport—what rules to apply in the gradual harmonization of transportation policy throughout the Community.

Treaty drafters, on the other hand, were agreeably surprised to witness the comparative ease with which other thorny questions such as the voting powers in the Council of Ministers, and the size of the various countries' contributions to the European investment fund or "bank" were settled.

Agreement and Resolve

As the two treaties emerged (final texts are not expected until mid-March) it was apparent, even to the most pessimistic forecasters, that changes made to the original treaty proposals, while appreciable, had not drawn the teeth from essential "European" and supranational character of the pacts. In some cases, such as the formula for reducing tariffs over a transitional period of from 12 to 17 years, observers felt that changes had been for the better by simplifying the entire procedure. The issue of a common external tariff based upon an arithmetical average of four tariff levels (those of Germany, France, Italy, and the Benelux) had been a potential threat to the Benelux countries whose low tariffs are basic to their economies. The solution finally adopted in the Common Market treaty enables the Benelux nations to negotiate with the other nations for adjustments to tariffs on certain commodities or even to remove them entirely on fixed quantities. In any case, the common external tariff must conform to the rules of the General Agreement on Tariff and Trade (GATT).

The Netherlands also raised strong objections to certain economic concessions made to France and, in particular, to safeguards established to protect her subsidized agriculture. However, these differences, along with those relating to methods of harmonizing rates and operational procedures on the Community's six national railways and in other fields of transport, were finally settled to the satisfaction of the smaller nations.

The Overseas Territories Question

Not until the Chiefs of State met to discuss the fate of the two six-nation pacts was the question of overseas territories settled. The general principle of including overseas territories settled. The general principle of including overseas territories in the Common Market had already been accepted. But the method and timing of their entrance into the Common Market and the amount (if any) of participation by the six nations in investments in overseas areas during the transition period were in conflict. Finally, by agreeing to a five-year trial period for general investment in overseas territories, the way was opened for wider agreement. In return for access, in particular to France's overseas markets, the other nations agreed to contribute to a common investment fund for the economic development of overseas areas (see box on page 4).

An escape clause in the overseas territories convention calls for a reassessment of the experiment and a new pact at the end of the first five-year trial period. If the common investment plan ($582 millions in the first five years) succeeds, Community exports to the overseas areas will be increased by raising import quotas and capital investments will be continued. If, however, in the opinion of the participating nations, it is not successful, capital outlays for the common fund will be halted and quotas on European imports will be held at the level reached at the end of the first five-year period. However, when these levels are matched by the general reductions in tariffs throughout the common market area, they will be further reduced in the course of the 12 to 17 year transition period until completely dissolved. Either way, barriers to imports from Europe would disappear, although more gradually in the latter case.

The "Euroafrica" plan is considered by some observers outside of France to be a daring experiment which, if successful, may go a long way toward dissolving the French colonial system. They point out that by making the economic future of these lands the responsibility not of one nation but of a confederation of European nations, a political solution may eventually be found for one of the West's most pressing problems.

Euratom vs. the Military Atom

When Jean Monnet first proposed that the six European nations join together in an atomic energy community devoted to the development of the peacetime uses of the atom, it was specifically urged that the six forego military use of nuclear power. It was argued that if any nation embarked upon a nuclear weapons program, the vast capital outlay required would render hopeless the prospect for a large-scale peaceful program for atomic power development. Further, the European Social Democrats, notably those in Germany, who had refrained from underwriting earlier attempts at integration such as the European Defense Community, would refuse to participate in Euratom if military considerations were included in the atomic energy community.

France, on the other hand, was already highly conscious of the relationship between national prestige and ownership of nuclear arms. Thus the French military was able to prevail upon Premier Guy Mollet to preserve France's "sovereignty" for nuclear weapons development. As a compromise result, the treaty permits nuclear materials to be transferred from the control of the Euratom Commission to that of the Western European Union which would, in turn, allocate them to nations undertaking nuclear armaments programs such as envisaged by France.

In all events, it appears unlikely that France will or can undertake a sizeable atomic arms program in the near future. If, as it looks now, the Euratom nations must rely upon the United States for nuclear supplies for some years to come, it is most probable that the United States will insist that all fissile materials sold to the Euratom Commission be used for peaceful purposes only. Until uranium is mined in considerable quantities in the Euratom countries (geological surveys show that there may be large deposits in France), the military atom is not likely to become a major issue on the European scene at an early date.

Availability of Treaty Texts

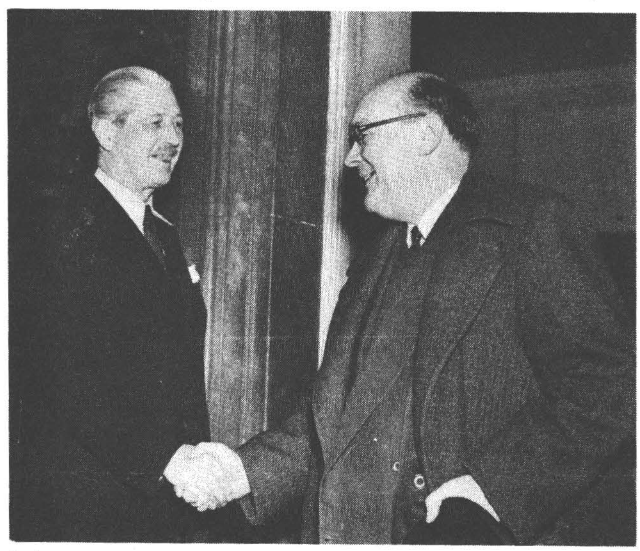
As soon as final texts of the Common Market and Euratom treaties are available, official English translations of the treaties may be obtained from:

Information Service
European Community for Coal and Steel
220 Southern Building
Washington 5, D. C.

Texts should be ready by the end of March. There will be a minimum charge for copies.

Britain and the OEEC

One of the first official acts of Britain's new Prime Minister, Harold Macmillan, at the end of 1956, was to receive Belgium's Foreign Minister, Paul-Henri Spaak, in London. M. Spaak, calling at 10 Downing Street as the President of the Intergovernmental Conference (responsible for drafting both treaties), assured the United Kingdom's new "European-minded" Government that the Common Market treaty would be modified to enable prospective Free Trade Area countries such as Britain to associate



Prime Minister Harold Macmillan received Paul-Henri Spaak, President of the Intergovernmental Conference, at 10 Downing Street, immediately after assuming leadership of Britain's new "European-minded" Government.

themselves with the Six in a tariff-less market without abandoning their own external tariffs toward outside countries. M. Spaak came away convinced that Britain meant business in her wish to draw closer to Europe and assured that the Freed Trade Area proposal was not intended merely to replace the Common Market—a report which had gained some currency in various European circles.

In other member countries of the Organization for European Economic Cooperation (OEEC) there arose misgivings over the British wish to exclude foodstuffs and farm products from the Free Trade Area plan. The bulk of exports from most of these other (non-Community) nations consists of agricultural products. At the OEEC's

Council of Ministers meeting in Paris on February 12 and 13, these nations raised the question of whether Britain's formula for entering the Free Trade Area and at the same time protecting the Commonwealth preference system should result in hardship to others—notably Greece, Portugal, and Turkey. As a result, the Council's newly-appointed Chairman, Britain's Chancellor of the Exchequer, Peter Thorneycroft, set up three working parties to study: the over-all Free Trade Area proposal; the position of agricultural products in the plan, and the special position of "countries in process of economic development"—those nations whose precariously balanced economies would need additional safeguards to protect them from the increased competition of free trade.

Reports from the three committees are expected "in time to take further decisions by July 31, 1957." Official quarters in Paris believed that a Free Trade Area treaty might be ready for parliamentary action by the end of 1957—in time to have tariff cuts applied in step with those of the six-nation Common Market.

Ratification Prospects

There is, throughout the nations of "Little Europe," understandable reluctance to predict chances for ratification for the two treaties. Undeniably, the forecast is far more favorable, based upon the general political climate today, than it was in 1954 when the EDC treaty was killed in the French National Assembly during the political regime of Premier Pierre Mendès-France. Today, there is less organized resistance to new European moves in the French political arena. The Communists, Poujadists, and the Mendès-France wing of the Radical Socialists are seen as the only committed opponents. Nevertheless, according to common consensus, it will be the National Assembly of France that will decide the fate of Europe in the next few months. It is true that some German industry opposition to Euratom exists. But observers on the German political scene believe that German enthusiasm for the Common Market will override minority opposition to Euratom and that both treaties will be ratified in the Bundestag by a comfortable majority. If Germany and France vote for the treaties, ratification in the Parliaments of the other four nations is virtually assured.

Contributions to the Common Investment Fund for the Development of Overseas Territories

During the five years following the implementation of the Common Market treaty, the six nations of the Community would contribute the following amounts into a common investment fund for the economic development of the overseas territories of four of the six nations. (West Germany and Luxembourg do not have overseas territories.)

	Contributions	Allotments
France	$200,000,000	$512,000,000
West Germany	$200,000,000	——
The Netherlands	$ 70,000,000	$ 35,000,000
Belgium	$ 70,000,000	$ 30,000,000
Italy	$ 40,000,000	$ 5,000,000
Luxembourg	$ 1,250,000	——
Total	$581,250,000	$582,000,000

THE PARIS COMMUNIQUE

The following communique was issued following the two-day meeting in Paris of the Premiers and Foreign Ministers of the six nations engaged in drafting the European Common Market and Atomic Energy Community treaties.

Paris, February 20, 1957: "At the invitation of Premier Guy Mollet the heads of government and the ministers of foreign affairs of the states taking part in the Brussels conference for the Common Market and for Euratom met in Paris on the 19th and 20th of February, 1957.

"The following took part in the meeting: For Germany, Chancellor Konrad Adenauer and Dr. Heinrich von Brentano; for Belgium, M. Achille van Acker and M. Paul-Henri Spaak; for France, M. Guy Mollet, M. Christian Pineau, and M. Maurice Faure; for Italy, Mr. Antonio Segni, Dr. Gaetano Martino, and Mr. Bardini-Confalonieri; for Luxembourg, Mr. Joseph Bech, and for the Netherlands, Mr. William Drees, Dr. Joseph M. A. H. Luns, and Mr. Van Der Beugel.

"Agreement was achieved as regards the problems concerning association of overseas territories to the Common Market. It was agreed that the treaty will include the principles expressing the intention of the six States to associate to the Common Market in Europe those overseas territories linked with them, and to contribute to the economic and social investments required by development of these territories.

"A first convention made for five years, and to be annexed to the treaty, will give details on the conditions ruling the implementation of these principles. It will fix the contribution of the member States toward the large investments which they are ready to accept for the overseas territories. Moreover, the convention will include the methods of progressive opening of mutual trade between the markets of the member States and the overseas territories.

"Before this first convention expires, a new agreement will be negotiated within the Council of Ministers.

"Moreover it was understood that the European Community for Atomic Energy (Euratom) will have rights of property as regards special fissile materials.

"At the end of this meeting, the Ministers noted that their work made under the impulse given by M. Spaak, has progressed far enough that the outcome can soon be submitted to their respective Councils of Ministers, and the signature of the two treaties is hoped to take place in the near future in Rome.

"On this occasion the six Heads of Governments pointed out again that their countries were ready to pursue their efforts toward increasingly closer European integration, of which the treaties for Euratom and the Common Market form a decisive step."

SIX GOVERNMENTS AWAIT EURATOM "WISE MEN'S" REPORT

United States' Endorsement Seen as Spur to Action on Massive European Atomic Power Program

Six Governments Await

A report that is expected to have far-reaching effects upon Europe's future energy situation will be submitted to the six Governments of the Community at the end of this month. The document is being prepared by the three "wise men" of Euratom who recently completed a three-week tour of the United States, Canada, and the United Kingdom.

The trio, Messrs. Louis Armand, Franz Etzel, and Francesco Giordani, were instructed to report to the Governments of Belgium, France, West Germany, Luxembourg, Italy, and the Netherlands "on the amount of atomic energy which can be produced in the six countries during the next years and on the actions to be taken to that end."

Official endorsement by the United States of Euratom's objectives is expected to bulwark the Euratom Committee's report. Following the visit of the Euratom trio to Washington, a joint communique declared that the Committee's objectives were "feasible" and that the "availability of nuclear fuels is not considered to be a limiting factor."

The Euratom Program

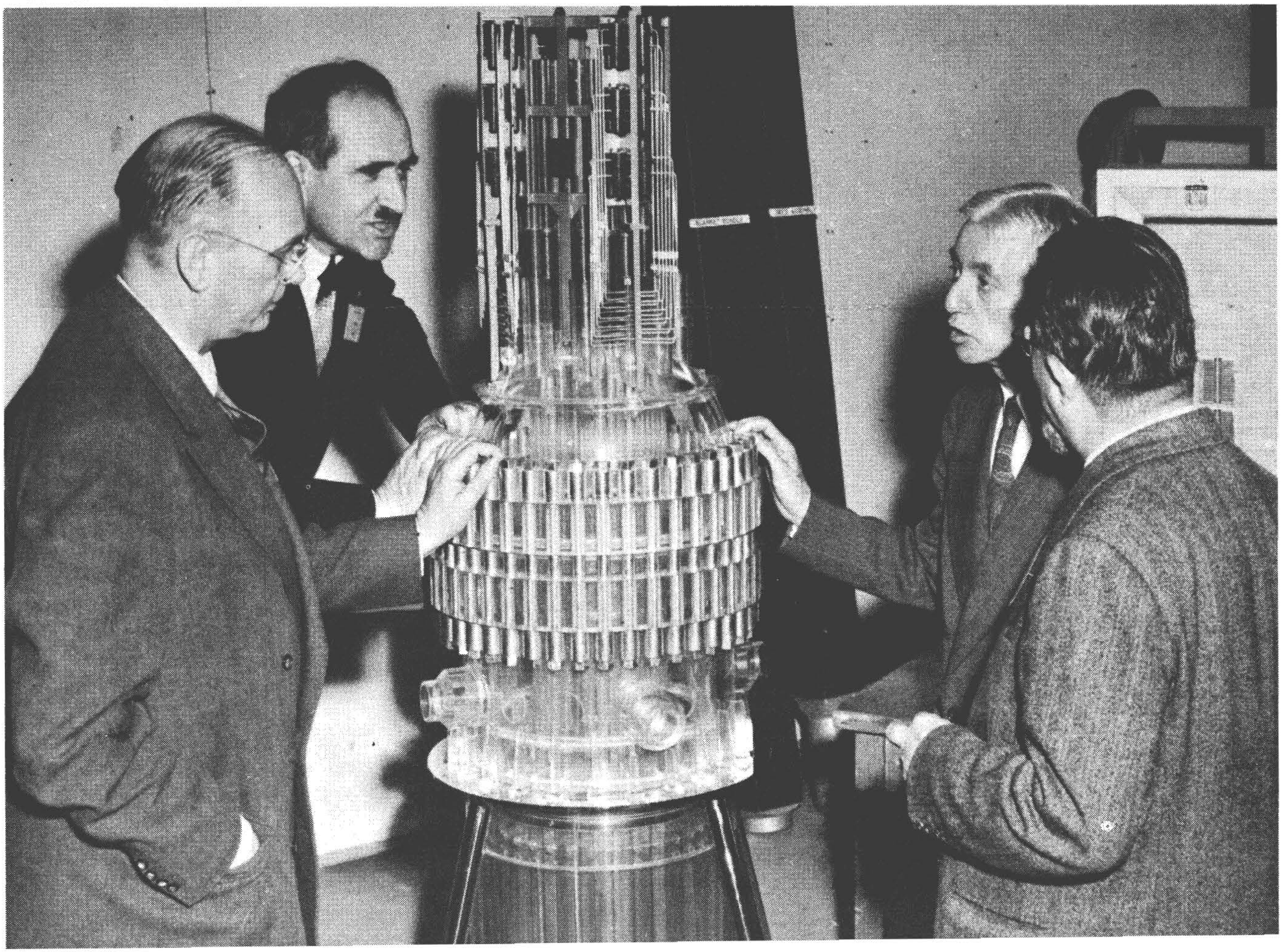
To help stabilize soaring fuel imports, the Euratom Committee outlined a bold program to install nuclear power stations with a total capacity of 15 million KW by 1967 and 50 million KW by 1975. To undertake such a large-scale program, the Euratom trio stressed the importance of a rapid start, of action "on a continental scale," and the vital importance of the "early development of a close and enduring partnership between the United States and Europe in the nuclear field."

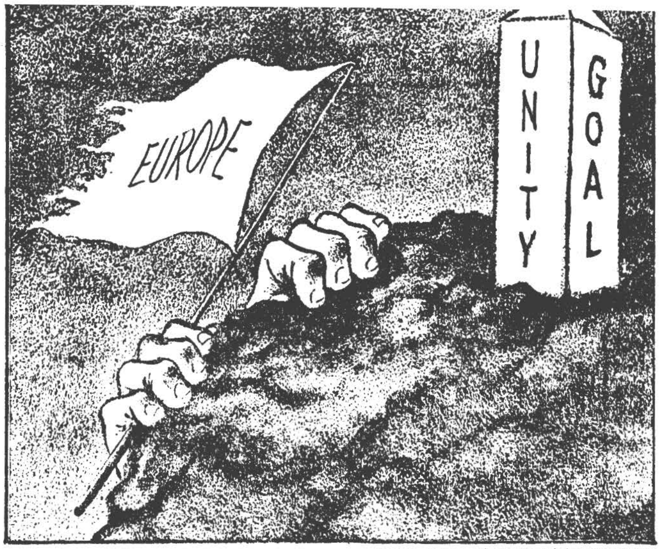
The political no less than the economic factors were stressed as vitally important in Euratom's plans. The Committee warned against the danger of a Europe becoming increasingly dependent upon Middle Eastern oil—of oil becoming a political weapon rather than a trading commodity. It also spoke of Euratom as constituting a vital step toward building a United States of Europe.

Results

The Euratom Committee's proposals met with wide agreement in State Department and AEC circles. It was acknowledged that although nuclear power is not yet economical in the United States, in Europe, where power is twice as costly, nuclear powered stations can readily enter into competition with oil or coal-powered stations.

During their ten-day visit in the United States, the Euratom "wise men" Committee visited the site of the 80,000 KW pressurized water reactor under construction for the Dusquesne Light and Power Company at Shippingport, Pa. Host to the Euratom trio was Rear Admiral Hyman Rickover, developer of the U.S. Navy's atom-powered submarine, the Nautilus. Here Adm. Rickover uses a model to explain details of the reactor core which will be installed in the nation's first full-scale nuclear power station at Shippingport. Left to right are: Franz Etzel, Louis Armand, Adm. Rickover, and Francesco Giordani. Courtesy Westinghouse Corp.





Hesse in The St. Louis Globe-Democrat

"No slips now—we hope."

The prospects of Euratom becoming a pilot project for international atomic energy control and a testing ground for U.S.-developed nuclear power techniques were also discussed in the U.S.

Fuels and Technical Aid

The main purpose of the "wise men's" visit was to ascertain whether the United States would be prepared to sell the nuclear fuels required for a large scale power program to a Euratom Commission representing a federation of six nations. The Committee learned during its Washington visit that the U.S. was prepared not only to provide the needed fuels to Euratom for European atomic reactors, but also it was willing to set up a "task force" of technicians to help speed the commercial development of atomic power in Europe.

The Cost of Energy

The six Community nations today import 25 per cent of their total energy requirements—the equivalent of 100 million tons of coal annually. In the absence of nuclear power, but assuming a reasonable increase in conventional energy supplies (coal, lignite, hydroelectricity, oil, and gas) imports would reach 200 million tons by 1965 (35 per cent of total needs), and close to 300 million tons by 1975 (over 40 per cent of needs).

Today the energy import bill for the Community is about $2 billion. By 1975 it would rise, according to the above estimates, to about $6 billion annually. Economists consider it doubtful whether Europe's balance of payments could stand the strain of such a heavy bill for energy imports.

Power costs in the U.S. today average between seven and eight mills per kwh. In Europe they are double that figure. (Imported coal delivered at power stations costs upwards to $25 per ton in the Community as compared to as low as $4 in the United States.)

It is hoped that net fuel imports can be leveled off when Euratom's first atomic power stations would begin feeding electricity into the European grid. Euratom's "wise men" envisage the installation of about three million KW of nuclear power annually from 1963—reaching a 15 million KW capacity installed by 1967.

Reactors and Industry

The Euratom Committee also visited the AEC laboratories at Oak Ridge, Tennessee, where they discussed the technical problems Euratom faces in undertaking its program. At Oak Ridge, they inspected the AEC's experimental homogeneous reactor, a design regarded in the U.S. as perhaps the most promising for power production.

They were also guests of Adm. Hyman Rickover, developer of the famed Nautilus reactor, at Shippingport, Pa., where an 80,000 KW pressurized water power reactor is under construction for the Duquesne Light and Power Company. Before leaving the U.S., the Euratom group held sessions in New York City with representatives of American industry engaged in nuclear power development.

In Canada, the Euratom Committee discussed fuel problems with representatives of the Canadian Government and visited the Atomic Energy of Canada Limited laboratories at Chalk River, Ontario. At Chalk River, they had an opportunity to review Canadian developments in design and construction of a 20 Megawatt heavy water reactor for power station operation.

During the last week in February, the Euratom Committee members were guests of the United Kingdom in London where they held conferences on the British experience in the atomic power field. Although Britain does not contemplate joining Euratom, a joint communiqué issued at the end of the four-day visit said that the United Kingdom would co-operate closely with Euratom in assisting in the development of an atomic power program.

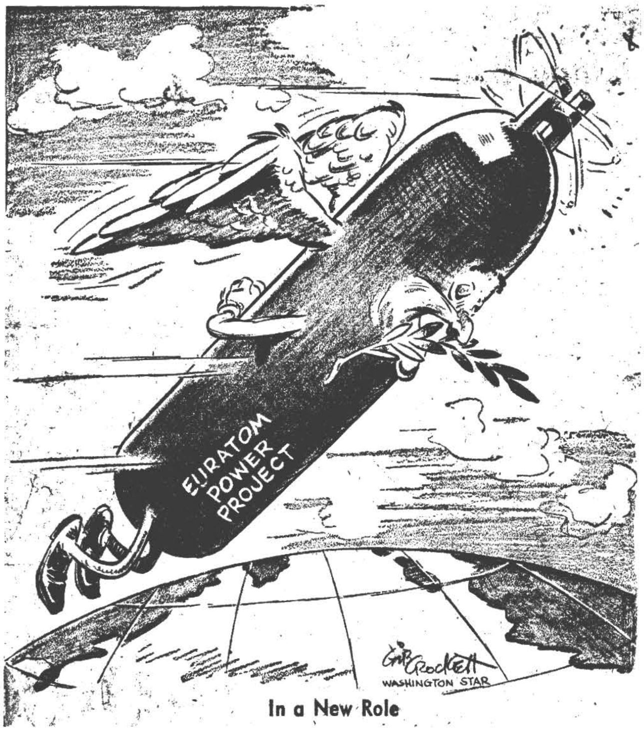
Text of the Joint Communiqué Following EURATOM "Wise Men's" Visit in Washington, February 4-8

The following communiqué was issued jointly by the United States Department of State, the U.S. Atomic Energy Commission, and the Euratom Committee in Washington on February 8, 1957.

"1. A Committee appointed by the Governments of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands which are negotiating at Brussels the treaty for a European atomic energy community (Euratom) concluded today its official visit in Washington. The Committee, composed of Mr. Louis Armand, Mr. Franz Etzel, and Professor Francesco Giordani, called on President Eisenhower, the Secretary of State, and the Chairman of the U.S. Atomic Energy Commission, and held discussions with officials of the Department of State and the Commission.

"2. The Committee's task is to determine the extent to which atomic power can meet Europe's growing energy needs. The availability and cost of energy has become a limiting factor on the growth of Europe's economic strength and welfare. The Committee's review of the needs and possibilities has led it to adopt as an objective the stabilization of fuel imports early in the 1960s. To meet this target would require that nuclear power plants with a total generating capacity of 15,000,000 KW be installed within the next ten years.

"3. Examination of the Committee's program indicates that its objective is feasible. Under present circumstances, the availability of nuclear fuels is not considered to be a limiting factor. A joint group of experts to be desig-



In a New Role

nated by the Committee and the Atomic Energy Commission will continue to examine the technical problems posed by the Committee's objective.

"4. The Committee pointed out that the Atomic Energy Community (EURATOM) which will result from the present Brussels negotiations provides the framework and the stimulus required to realize the Committee's objective. It would mobilize in Europe the technical and industrial resources required to realize the Committee's objective. It would mobilize in Europe the technical and industrial resources required and would provide a political entity competent to afford adequate safeguards and to enter into comprehensive and practical engagements with the U.S. Government.

"5. The U.S. Government welcomes the initiative taken in the Committee's proposal for a bold and imaginative application of nuclear energy. On February 22, 1956, President Eisenhower in announcing the allocation of 20,000 kilograms of U-235 for sale or lease outside the U.S. for peaceful purposes (principally power and research reactors) stated, "significant actions are under way to create an international agency and an integrated community for Western Europe to develop peaceful uses of atomic energy. The United States welcomes this progress and will cooperate with such agencies when they come into existence." The United States anticipates active association in the achievement of the Committee's objective, and foresees a fruitful two-way exchange of experience and technical development, opening a new area for mutually beneficial action on both the governmental and the industrial level and reinforcing solidarity within Europe and across the Atlantic."

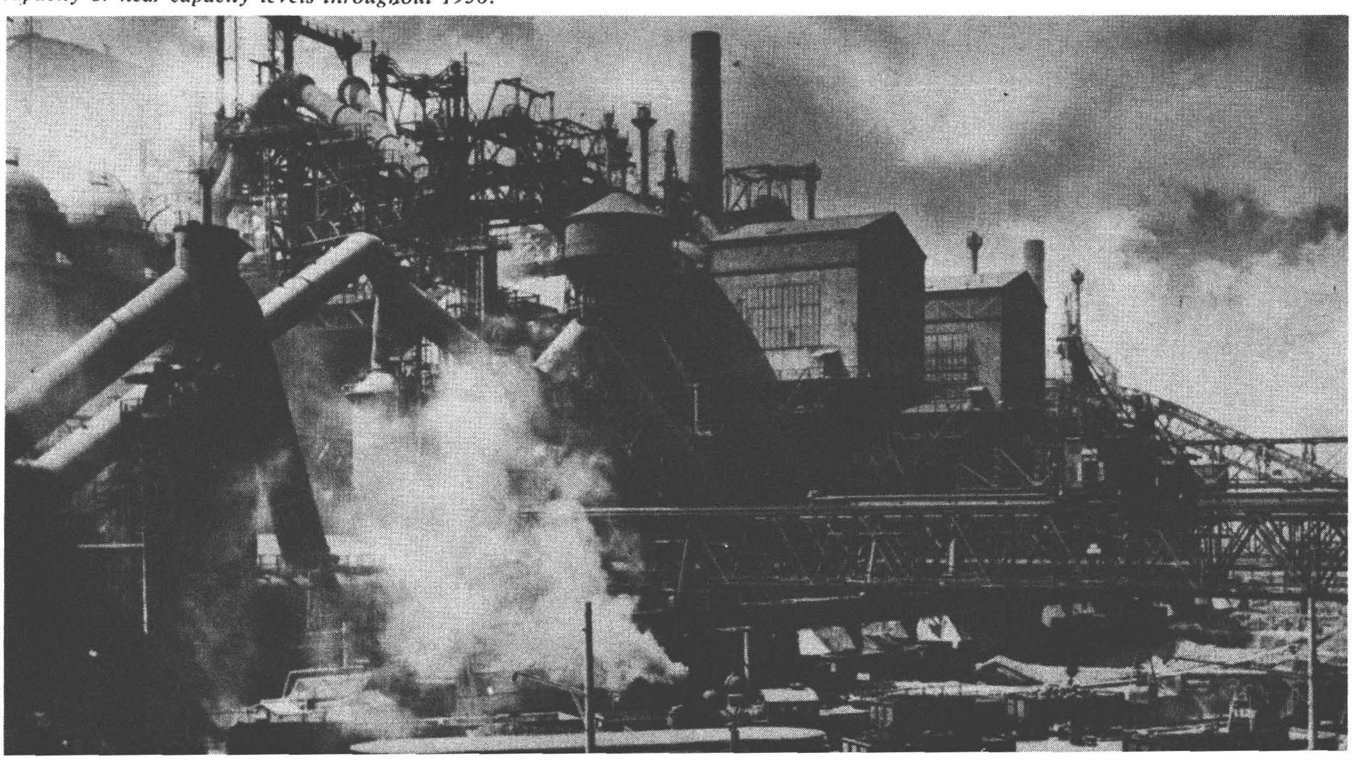
1956 REVIEW: Western Europe's Boom Continues

Common Market Moves Into High Gear

The Community's industrial boom, paced by steady demand but governed by capacity limits, continued at a high level throughout 1956, although the expansion rate showed signs of leveling off. Industrial output in the six Community countries climbed some eight per cent higher in 1956 than in 1955. But it failed to reach the record level of a 12 per cent increase set between 1954 and 1955. With demand continuing at a high level, it was apparent that the expansion rate was slowing down mainly because many industries were approaching capacity operation rather than facing any threat of a break in demand.

To the general economic well-being of the continent,

The Community steel mill like the Dortmund-Hörder Hüttenunion plant at Dortmund, Germany shown below, operated at capacity or near-capacity levels throughout 1956.



the Community's industries again made a notable contribution. Steel, coal, coke, and iron ore output reached all-time record levels. Steel production, running at or near capacity level for virtually the entire year, rose by nearly 8 per cent to 56.7 million metric tons. Compared with 1952, the year before the Common Market started, steel production was up 33 per cent.

COMMUNITY STEEL OUTPUT
(metric tons)

	1955	1956	% change
Germany	23,187,000	21,336,000	+8.7%
Belgium	6,364,000	5,894,000	+8.0%
France	13,390,000	12,592,000	+6.3%
Saar	3,375,000	3,166,000	+6.6%
Italy	5,900,000	5,395,000	+9.4%
Luxembourg	3,455,000	3,226,000	+7.1%
Netherlands	1,049,000	979,000	+7.2%
COMMUNITY	56,720,000	52,588,000	+7.9%

New orders for rolled products remained fairly steady, averaging 3.5 million metric tons a month, compared with 3.3 million in 1955. Orders on steelmakers' books rose to 15 million metric tons at the end of October, 1956, as compared with 13.7 million tons at the end of 1955.

Iron ore output passed the 80 million ton mark for the first time, and at 80.7 million metric tons, was 6.2 per cent higher than the 1955 output of 76.0 million.

Coal—Increasing Dependence On U. S. Imports

In view of setbacks suffered during the year—the severe loss of manpower in Belgian mines following the tragic disaster of Marcinelle, and the call-up of miners for North African service in France—coal output in 1956 rose by no more than one per cent to 249.0 million tons from 246.4 million. Only Germany recorded an increase, which more than made up for the declines in production in the other Community countries.

COMMUNITY COAL OUTPUT
(metric tons)

	1955	1956	% change
Germany	134,378,000	130,728,000	+2.8%
Belgium	29,546,000	29,978,000	—1.5%
France	55,121,000	55,335,000	—0.4%
Saar	17,078,000	17,329,000	—1.5%
Italy	1,049,000	1,136,000	—8.0%
Netherlands	11,821,000	11,895,000	—0.6%
COMMUNITY	248,992,000	246,401,000	+1.1%

The manpower situation in Community mines caused serious concern, and wage increases and special bonuses were applied in Germany and Belgium to help attract a steady labor force. In Germany, the introduction of shift bonuses achieved notable results by the year's end, although the High Authority has charged that the Federal German Government's financing of these payments is illegal under the Community Treaty and has taken the matter under discussion.

Coal stocks at the pit head declined further during the year, and by the end of December, fell to 5.9 million tons, compared with 7.5 million a year earlier.

With such a small proportion of the rapidly increasing needs of the Community's industries coming from increased output and the running-down of stocks, imports again rose sharply. Total imports for the year reached about 38 million metric tons, of which some 31 million came from the United States. In 1957, it is estimated that the total amount of coal to be imported from the United States will rise to 37 million tons.

Suez Crisis—The Energy Situation As A Whole

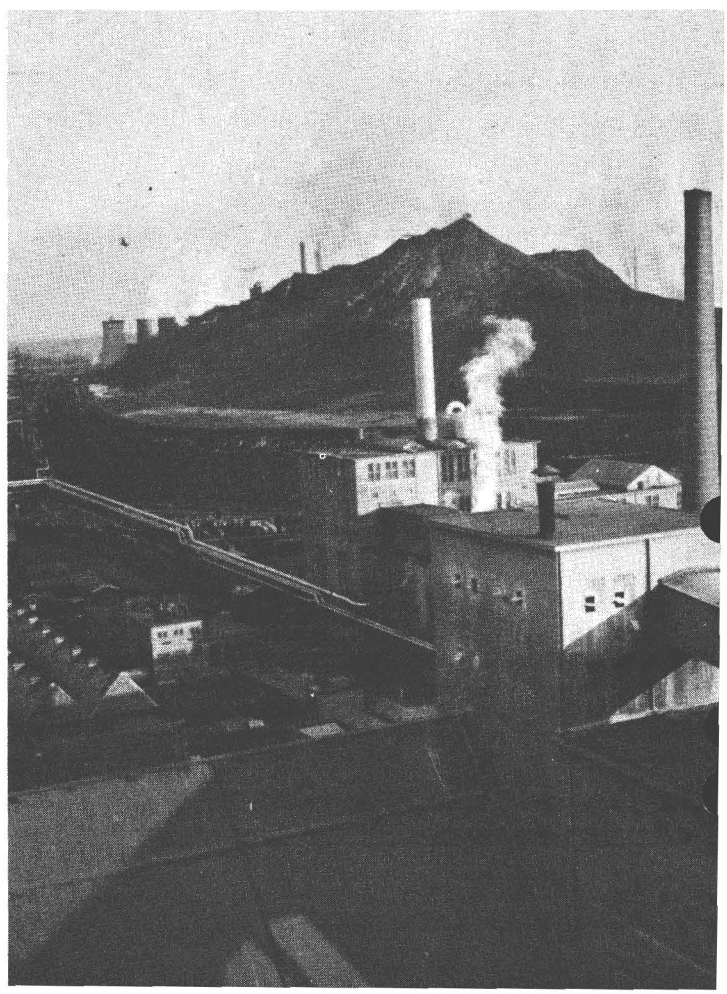
The Suez crisis in October and November of 1956 introduced a new element of concern for the coal market. The High Authority's energy experts estimated, however, that the increased demands on coal as a result of reconversion to coal from fuel oil would not amount to more than five to six million tons within 12 months, a small amount in relation to the Community's total consumption.

The Suez crisis also helped push freight rates up as high as $17 a ton, at one time in December, and raised serious doubt as to whether enough shipping would be available to transport greatly increased quantities of coal to Europe. But action by the United States in releasing ships from the "mothball fleet" had a salutary effect on freight rates and reassured European buyers that they would not lack necessary coal for want of shipping.

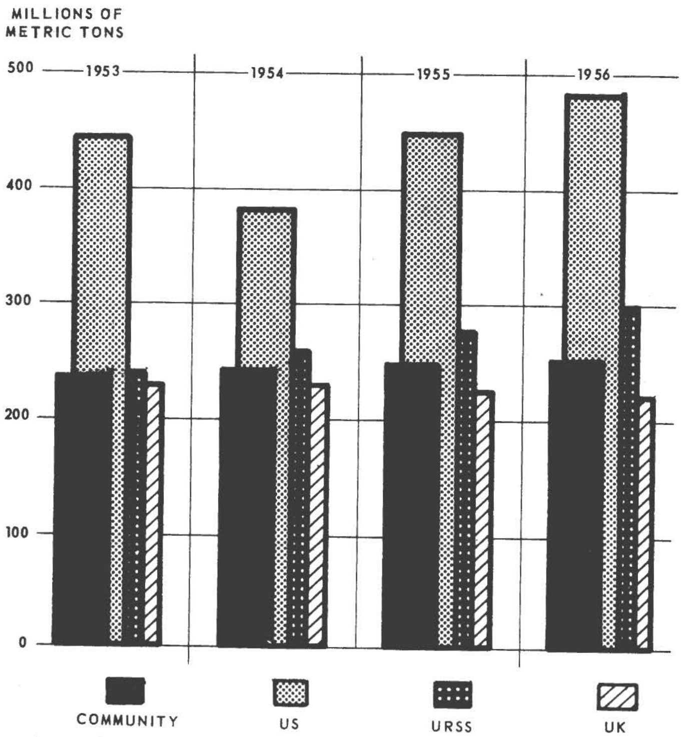
High Authority's Action To Solve Coal Distribution Problem

Distribution problems have prompted the High Authority to examine its powers under the Treaty and see what action it could take without invoking the emergency powers of allocation and control which it can call upon in case of

The Maurits Mine at Lutterade in the Netherlands, is contributing to the advance in Community coke production.



The Major Coal Producers



serious shortage. It has been considering a compensation scheme to bring the landed price of American coal down to the Community level and thus avoid any reluctance on the part of consumers to import because of the higher landed cost of American coal.

Following a resolution passed by the Common Assembly, the High Authority also asked the Council of Ministers for action to insure fair distribution to domestic users and small consumers. The High Authority, which under the terms of the Community Treaty has no power over dealers, wants the six Governments to insure that coal allocated by the producers to these consumer groups actually reaches them.

The High Authority also brought together Ruhr coal producers and French steel industry representatives, after the latter had complained of insufficient deliveries from the Ruhr, and its mediation was completely successful. It has now been called on to take similar action for coal from the Lorraine coal field following a complaint from South German consumers that their deliveries from this source have been cut by half.

Record Coke Output

A strong effort has been made to raise coke output, another bottleneck threatening to end the boom. The expansion of capacity, together with the re-employment of old and disused coke ovens, helped to raise output to $74.8 million metric tons in 1956—9 per cent more than the total of 68.6 million in 1955.

The other threatening bottleneck, scrap, was the subject of a measure by the High Authority early in 1957 to penalize increases in consumption.

Intra-Community Trade

1956 saw a levelling off in the steady increases which had occurred in trade in coal and steel products between the Community countries since the opening of the Common Market. Receipts of steel from other Community countries in the first nine months of the year averaged 421,500 tons a month—a fall of 8 per cent compared with the 1955 figure of 461,755, but still 140 per cent higher than in 1952. Receipts of coal from other Community countries in the first 11 months of 1956 were down by 14.6 per cent to an average of 1,653,000 tons monthly, against 1,954,000 in the corresponding period of 1955, but were 18 per cent higher than in 1952.

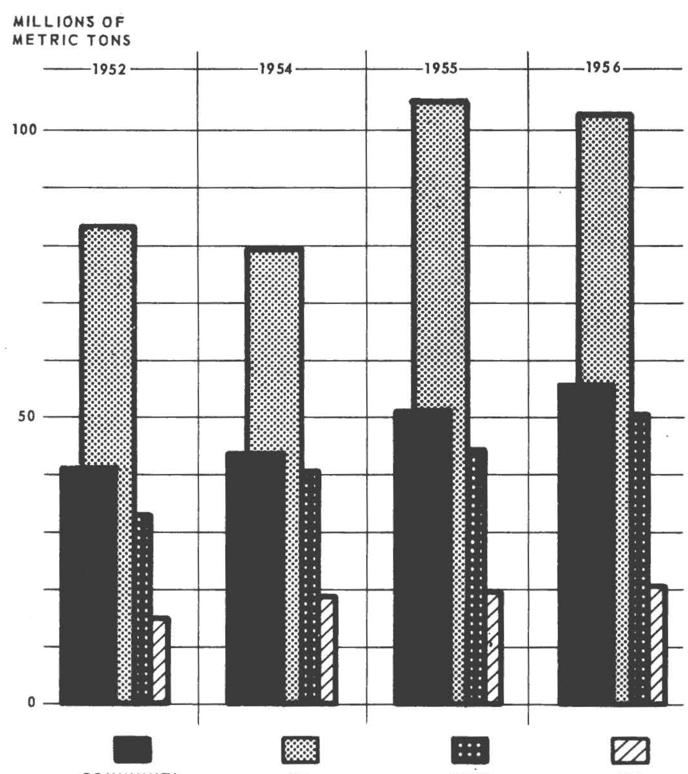
Intra-Community trade in iron ore, in contrast to that in coal and steel, continued to increase, rising by a further 8.8 per cent in 1956 to a monthly average of 1,174,000 metric tons for the first nine months, compared with 1,079,000 for the corresponding period of 1955. This level was some 50 per cent higher than that for 1952.

Price Rises Held To Moderate Proportions

The internal price of steel rose moderately over the year with no sign of runaway tendencies. Open-hearth prices rose more than those of basic Bessemer, with the increase for open-hearth merchant bars ranging from 5 per cent in France, through 8 per cent in Germany, to 20 per cent in the Netherlands. For basic Bessemer the increase ranged from 2½ per cent in France, through 6 per cent in Germany and Luxembourg, to 10 per cent in Belgium. These increases compared with increases of 10 to 12 per cent in Britain and 8 per cent in the U.S. (for basic open-hearth qualities).

With the freeing of Ruhr coal prices (April 1, 1956) prices of all Community products became free for the first time in many decades. Following a 9 per cent wage rise, an increase in coal prices in the Ruhr and other German coal fields in October, by an average of 4.89 D-marks (approximately $1.19) per metric ton, brought

The Major Steel Producers



German coal prices more into line with those of the rest of the Common Market. Belgian prices were increased by an average of 15.70 francs (31½ cents) per ton at the end of the year. In general, however, the rise in coal prices since the start of the Common Market in February, 1953, has been held within reasonable limits, ranging from 0 to 20 per cent. In general, price rises have been greatest in Germany, which had the lowest prices at the start of the Common Market.

New Transport Rates Applied

In the field of transport, international through rates for steel and scrap came into force on May 1, 1956. Similar measures for coal and iron ore came into force in May, 1955, so that all Community products now travel from one end of the Community's territory to the other without losing the benefit of "tapering" rates as they cross a national frontier. Additional frontier charges for rail transport of coal and steel were completely abolished on May 1, 1956, and two-thirds of these charges were abolished for steel and scrap. By May 1, 1957, the remaining third of these charges will also disappear.

In July, 1956, Switzerland was brought into the Community's through rate system by the signature of a transport agreement. A draft treaty for a similar arrangement with Austria is awaiting signature.

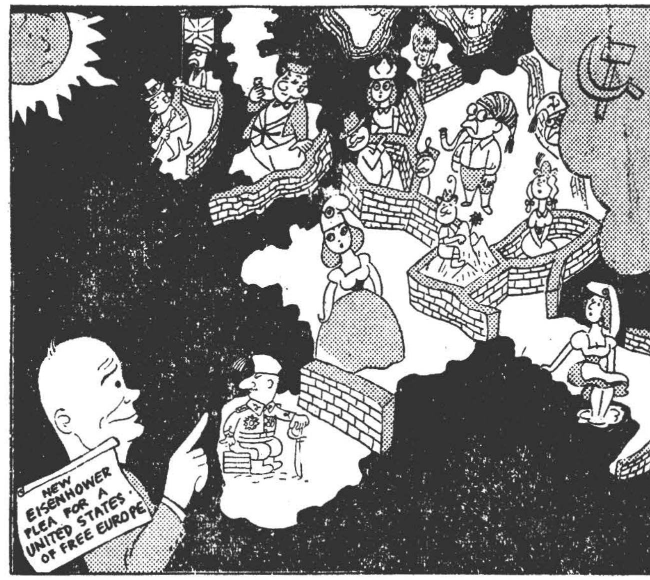
A major preoccupation of the Community's transport officials is the unification of the conditions of transport, i.e., the application of uniform tonnage and distance rebates and similar measures. A substantial measure of agreement has already been reached on this highly technical matter, although the High Authority has no direct powers other than that of persuading the Council of Ministers, or the six Governments, to adopt its recommendations.

Coal Cartels—Decisive Steps Taken

The step which had long been regarded as the key to dissolution of the Community's coal cartels was taken in March, when the High Authority dissolved the Ruhr's central coal sales agency, known as GEORG, and replaced it by three independent agencies. The agencies are permitted, in times of market tension, to act in concert through a Joint Office. A substantial measure of public control has been introduced for the first time by setting up an Advisory Committee on which the High Authority, trade unions, and the West German Government are represented as well as the coal owners. The High Authority has also retained veto rights over any decisions by the Joint Office.

The dissolution of GEORG was followed in October by the reorganization of the Belgian coal monopoly, COBECHAR, and the South German coal cartel, OKU, which had previously been the exclusive agent for sales of four main Community coal fields in South Germany. On ATIC, the French Government's coal import agency, no solution has yet been found to the French Government's assertion of ATIC's right to sign all coal import contracts (implying the right of veto), although on most other points the French Government had agreed to bring ATIC into line with the Treaty provisions. The High Authority has declared this activity to be illegal and the situation is due for re-examination following a French Government decree early in 1957 altering ATIC's statutes.

MOVES TOWARD EUROPEAN UNITY



Yardley in The Baltimore Sun

"You'd be much happier if you took down your walls."

The Investment Picture Changes

The compulsory prior declaration of major investment projects to the High Authority, in force since September, 1955, has yielded a valuable indication of changes in the pattern, as well as the volume, of investment. Up to November 30, 1956, the High Authority received 251 project descriptions representing a total investment of $1.1 billion, of which 182 projects, totalling $786 million, came from the steel industry. Of the steel industry's expenditure, 42 per cent covered installations for preparation of the furnace burden, blast furnaces and Thomas (basic Bessemer) plant, all of them using a low proportion of scrap. A further 12 per cent concerned open-hearth or electric furnaces, 26 per cent rolling mills, and 20 per cent coking plant, power plant and other ancillary installations. The coal industry declared 64 projects of a total value of $276 million.

The declarations show that pig iron capacity has been expanding a little faster than ingot steel capacity, but the imbalance between pig iron and steel is still far from being removed. More blast furnaces are urgently needed. Coking capacity is similarly expanding, but not fast enough, and more investment is needed in mines producing cokable coal. At the same time, the shift from rolling mills (26 per cent of total investment, against 56 per cent in 1955) to steel-producing plant of low scrap consumption (Thomas steel) and to blast furnaces and ore enrichment plant (42 per cent against 17 per cent), has been notable.

The major financial event in 1956 was the raising of the High Authority's first loan in the private capital market—an $11.7 million loan which was heavily oversubscribed in Switzerland in July. A similar, but probably larger public issue, is contemplated on the U.S. market in 1957.

Labor—The Mine Safety Conference

The most publicized action of the High Authority in 1956 was its initiative in asking the Council of Ministers to call a conference on safety in the mines following the disaster at Marcinelle, Belgium. Following the plenary session of the conference from September 24-25, the four commissions appointed to study various aspects of safety, including human factors as well as technical measures, presented their reports to a final plenary session in February, 1957. Its recommendations were forwarded to the High Authority before final discussion in the Council of Ministers. The aim will be to set up a permanent body, presided over by the High Authority, to survey safety regulations and their application in the Community's mines, and make proposals to the Council of Ministers for improvements.

With practically every ton of capacity in use, demands on the High Authority for the readaptation and relocation of workers were few during the year. In South Belgian mines, several of which are to be closed shortly as uneconomic, all the manpower released will immediately be re-absorbed in expanding mines. The High Authority has already stopped payments under its compensation scheme to mines which it considers to be capable of operating without assistance, and in 1957, aid will be concentrated solely on the mines which after modernization will be capable of competing in the Common Market.

Following its first workers' housing program of 16,000 houses for 1955 and 1956, the High Authority in May obtained the Council of Ministers' approval of a second program to negotiate loans or guarantees up to $30 million for 1957-58.

The Common Market An Accepted Part Of The Economic Scene

1956 was perhaps most notable as the year the Common Market functioned fully for the first time. The measures establishing the Common Market had almost all been taken, and the High Authority was increasingly concerned with current problems such as the distribution of coal, economies in scrap consumption, and the guidance of investments. It was a year, too, which saw new developments in the relationship between the High Authority and the Council of Ministers—a closeness of cooperation and consultation which will, in large measure, help build solid foundations for the general Common Market and Euratom. At the same time, the High Authority showed its determination, as demonstrated in the mine safety conference and the scrap economy project, not to let vital matters go by default, and to exert moral authority wherever demanded by the general interest.

New Measures To Cut Community's Scrap Consumption

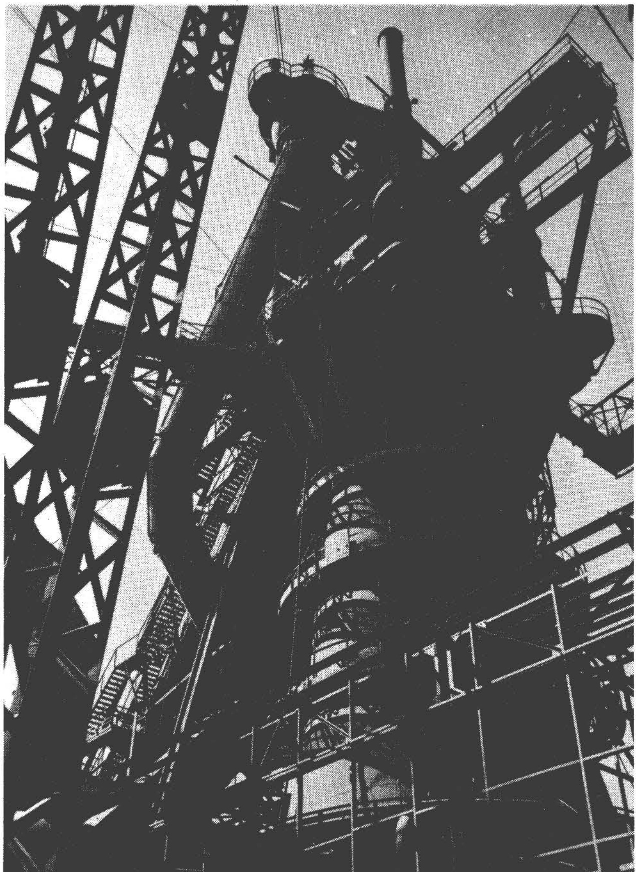
A new plan, to go into efiect August 1, 1957, will place heavy penalties upon steel firms in the Community which increase their consumption of scrap. The plan, accepted by the Council of Ministers following nearly eighteen months of discussion with the High Authority, is aimed at influencing the course of future investments by steel industries rather than to effect immediate scrap economies. By making additional scrap consumption more expensive, the High Authority hopes to strengthen its present efforts to encourage production of pig iron and thus reduce reliance upon high-cost scrap imported from the United States. (Following the results of a recent survey of scrap resources in the U.S., the Department of Commerce is expected shortly to announce quantitative limits upon the export of heavy melting grades of steel scrap).

Starting from August 1, Community firms which permit their steel scrap consumption to rise above the level of a set reference period will pay a surcharge on their contributions to the Community's scrap import compensation fund. The surcharge on the contribution rate will start at 25 per cent and will rise thereafter every three months until it reaches 100 per cent a year later. Thus, after May 1, 1958, firms using more scrap than the average for their reference period will pay double the contribution on the additional amounts. (Firms can choose as their reference period any consecutive six months between January 1, 1953 and January 31, 1957.)

The penalty rates will, however, be diminished if, at the same time as it increases the absolute amount of its scrap conusmption, a firm reduces the proportion of scrap usage per ton of steel produced. For every one per cent fall in the amount of scrap used per ton of steel, the penalty rate is cut by five per cent. The penalty rate, even at its full level, could therefore be completely offset by a cut of 20 per cent in scrap usage per ton of steel.

Despite the Community's demand for scrap, studies show that Community steel mills use less scrap per ton of steel produced than in any other free nation. It is estimated that scrap constitutes only 40 per cent of every ton of steel produced in the Community while that figure is 50 per cent in the U.S., 55.4 per cent in Britain, and 61.5 per cent in Japan.

The scrap-saving giants of the Community are blast furnaces. More installations like this one of the French SIDELOR *are being urged for construction in the six Community nations.*



Newsbriefs

European Experts To Study U.S. Management

A group of six European steel experts will arrive in the United States on March 19 for a six-week on-the-spot study of the U.S. steel industry's management methods.

Their visit is being organized jointly by the American Iron and Steel Institute and the High Authority of the Coal and Steel Community. The experts, from Begian, French, German, Dutch and Italian steel companies are particularly interested in studying the structure of American management to learn what elements can be adopted and used in the Community's steel industries.

Transport Agreement with Austria Drafted

High Authority and Austrian Government negotiators have completed a draft treaty applying the Community's system of international through rates to rail transit of Community coal and steel through Austria. After clarification of the few points of detail, the draft will be presented to the Austrian Government and to the member states of the Community for approval.

More Housing for Community Workers

The High Authority has launched the German section of its second program of workers' housing, to cost a total of 75 million D-Marks ($17.9 million). Of this sum, 30 millions ($7.2 million) will go to houses for steelworkers, and 45 millions ($10.7 million for miners' homes).

The High Authority will provide 12 million ($2.8 million) and 18 million ($4.3 million) D-Marks respectively. The remainder has been raised by German banks. The *Bank für Gemeinwirtschaft*, Düsseldorf, will contribute 18 million D-Marks ($4.3 million) for the steelworkers' houses, and the *Kreditanstalt für Wiederaufbau*, Frankfurt, will contribute 27 million D-Marks ($6.4 million) for the miners' houses.

These sums will be lent to the building organizations through the intermediary of private and public regional institutes, at an interest rate of five per cent (annuity, with amortization, of 6.5 per cent) for a period of 32 years. These favorable terms have been made possible by the addition of low-interest capital from the High Authority to the high-interest German funds. Agreements to this effect were signed on December 19 and 20, 1956.

High Authority Makes New Research Grants

The High Authority has allotted $1.5 million for research into methods of reducing coke consumption in steel production. Of this sum, $850,000 will go to aid research undertaken in the experimental low-shaft furnace at Liege. The remainder will be used to aid individual firms' research projects.

A further $200,000 has been allotted for research into instruments for measuring fire damp and other gases in coal pits. The High Authority has also decided to form a group of experts to study the Community's coal reserves.

Other research projects are currently under discussion, including a number of medical and hygiene investigations. A later issue of the Bulletin will contain a full survey of current research programs, both medical and technical.

Meeting with OEEC Coal Committee

A slight easing of tension on the European Coal and Steel Community's coal market is likely in the second quarter of 1957, it was disclosed following the regular quarterly exchange of views held between the High Authority and the Coal Committee of the Organization for European Economic Cooperation (OEEC) on March 1. Production, at 61.2 million metric tons, was estimated at two million tons below the first quarter forecast. However, the fall in production will be offset by a seasonal fall of 900,000 tons in demand as compared with first quarter estimates. Imports from the U.K. are expected to reach 743,000 tons and imports of U.S. coal needed to make up the balance of requirements are likely to remain on a level of about 9 million metric tons in the first quarter.

German and Italian Firms Plan Scrap Economizing Investments

Indications that the High Authority warnings on the overall scrap shortage are being taken seriously are evident in the investment projects of individual steel firms.

The Dortmund-Hörder Hüttenunion, Germany's largest steel producer, recently disclosed that its increase in steel production, from 2.8 million currently to 3.2 million metric tons yearly, will be effected mainly by stepping up output of Thomas (basic Bessemer) steel, which uses a very small proportion of scrap.

Italian steel producers are also raising their pig iron output capacity in order to meet the Community's scrap deficit, according to recent Italian press reports. They say that the High Authority's recommendations for economies in scrap and expansion of pig iron and coke output are essential "in Italy if steel output is to be developed on a more stable foundation than at present."

High Authority Inspections

Since 1954, the High Authority's tax and "anti-trust" inspectors have made 125 visits to Community firms. The check-ups are made regularly to see if enterprises are selling at their published prices, if they have declared true production figures (on which are based the Community tax now at 0.45 per cent of the value of production), and if they have made proper contributions to the coal and scrap compensation funds. As a result of these visits, 13 fines have been imposed on steel firms, and 14 warnings have been issued. Twelve final demands have been made for payment of the levy, and 13 for payments to the scrap compensation fund. One firm has appealed to the Court against its fine, and three have appealed against the High Authority's final demands for payments to the scrap compensation fund.

New President for Consultative Committee

Fritz Dahlmann, a German labor leader, has been elected President of the new Consultative Committee of the High Authority, which met in Luxembourg on January 15. Mr. Dahlmann is a member of the workers' group of the Committee, and represents the German Miners' Federation, IG. Bergbau. The Consultative Committee, a body of experts from Community industries which acts in an advisory capacity to the High Authority, is composed of 51 members—17 workers', 17 producers', and 17 consumers' representatives.