

THE EUROPEAN COAL AND STEEL
COMMUNITY
HIGH AUTHORITY

The
ECSC:
basis of a wider European
Community



LUXEMBOURG

June 1967

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FOREWORD

On May 30, 1967, the Heads of State and Heads of Government of the six European Community countries, meeting in Rome, decided that the Executives of the three Communities – the High Authority of the European Coal and Steel Community and the Commissions of the European Economic Community and of Euratom – should merge from the following July 1. The powers and obligations vested in the High Authority by the Paris Treaty have therefore devolved upon the single Commission of the European Communities. At this important juncture in European affairs, it is worth looking at what the oldest of the Communities, the ECSC, had, after fifteen years of existence, contributed to the unification of Europe. It should be emphasized that although this pamphlet describes what the High Authority *did*, those same functions and duties are still being performed – by the single Commission.

A handwritten signature in black ink, appearing to read 'Albert Coppé', with a stylized flourish at the end.

ALBERT COPPÉ
*Vice-President of the
ECSC
High Authority 1952-1967*

The European Coal and Steel Community

“Resolved to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the basis of a wider and deeper community among peoples long divided by bloody conflicts; and to lay the foundations of institutions capable of guiding their future common destiny . . . ”

From the preamble to the Paris Treaty of April 18, 1951.

Twice in a generation Europe has been through the horrors of total war. Today, to those in their twenties, that nightmare is remote and difficult to imagine. Yet it happened not a quarter of a century ago. It took a revolution in political attitudes to overcome the enmities that had so harmed Europe over past centuries. It took bold men to put forward, only five years after the tempest of hatred had ended, a plan by which victors and vanquished would embark on a joint political venture.

In May 1950, the French Government, through its Foreign Minister, Robert Schuman, proposed to the rest of Europe a first step, limited but practical, towards

unification. Thus was born the original, epoch-making concept establishing a

COMMUNITY

of the peoples of Europe.

What is the meaning of that word – Community, Communauté, Gemeinschaft, Comunità, Gemeenschap? “Community” means a new system of political relations between States; it also means a new system of economic organization.

A new system of relations between States

A legacy of the Roman Empire was that for many centuries a large part of Europe, although politically fragmented, shared a religious faith and a common culture. As this bond weakened there followed, from the seventeenth century onwards, the rise of the sovereign nation-state. In the course of time national sovereignty degenerated into an arrogant, aggressive nationalism which sought to restore European unity by force. But each attempt only led to bloodshed and ruin.

In the eighteenth and nineteenth centuries another way of preserving European stability was sought – the balance of power, the forming of delicate political and military alliances between sovereign States. But this system, too, failed to avert major clashes. In fact, it was based largely on the pursuit of national interests – and frequently misconceived interests at that. As a result, it exacerbated nationalism and in the end plunged Europe into the abyss of the First World War.

The Community concept rejects uniting Europe according to the will of the strongest. But, equally, there has never been any intention of assembling sovereign States in a permanent diplomatic conference with every delegate possessing a veto. Nor is the Community a mere compromise between these two irreconcilable systems. The Community represents an original, realistic approach. Its structure takes account both of the relative importance of the different countries and of the need to safeguard the interests of the smaller members against arbitrary action by the larger states. At the same time it opens the way to vigorous, concerted action. The Community can do this because of its common Institutions.

The keystone of the Community organization is the continuous dialogue between the Commission, the Institution which ascertains and upholds the common interest of the member States, and another Institution, the Council of Ministers, which is independent of and distinct from the first, and which co-ordinates the Community's own action with the work of the individual member governments.

This principle was first applied in

THE EUROPEAN COAL AND STEEL COMMUNITY (ECSC)

which was set up, following the Schuman Declaration, under a Treaty signed in Paris in April 1951 by the Belgian, Dutch, French, Federal German, Italian and Luxembourg Governments. The ECSC was a pilot project for (to quote the Declaration) "the creation of a *de*

facto solidarity among European countries.” Prudence, prompted by past experience, counselled against attempts to unite Europe overnight.

The sectors chosen for this pilot project were coal and steel, not merely because these were the two most important basic materials in the European economy, but also, and primarily, because they symbolized the basis of the military power which European states had so often used against one another. Now they were to be the first components in the building of Europe by peaceful means. From the beginning, however, the ECSC was, as the preamble of the Paris Treaty states, designed to serve as “the basis of a wider and deeper community” among the peoples of Europe.

The ECSC Institution which upheld the common interest of the member countries and which has now been merged in the single Commission was

THE HIGH AUTHORITY.

Before its merger on July 1, 1967, with the EEC and Euratom Commissions, the High Authority consisted of nine members. Unlike the system in most international organizations, these members were not representatives of their governments. They represented the Community as a whole and were appointed with the consent of all six governments. The Paris Treaty did not even stipulate that there must be at least one member of each nationality, though in practice this was always the case.

The High Authority’s decisions were by straight majority vote.

What was really original about the High Authority, however, was not so much its voting system as its *modus operandi*. It did not proceed on normal diplomatic lines, seeking to reach compromises by negotiation. Delegates did not exploit each other's difficulties and weaknesses in order to obtain concessions for their own country. The High Authority worked out settlements that were fair and beneficial to all: it regarded each country's particular difficulties as Community difficulties which had to be taken into account in any settlement.

To carry out its tasks, the High Authority was, and its successor the European Commission is, empowered to levy a fixed proportion — at present 0.3 % — of the value of coal and steel produced within the Community. The proceeds of this first "European tax" made it financially independent, and covered its overheads and the retraining, redevelopment and research grants described below.

A Consultative Committee of producers', workers' and consumers' representatives advised the High Authority.

The High Authority's partner institution was

THE COUNCIL OF MINISTERS

consisting of one representative of each member government. Though in many cases the High Authority could act on its own, in important matters it had to confer with the Council, or even obtain its specific consent, before taking a decision. The Council's consent might have to be unanimous or by straight or weighted majority. Interaction

of these two separate Institutions, the High Authority and the Council, increasingly constituted the basis of the Community method. By regularly confronting the general interest, as established by the High Authority, and the individual interests of the member States, as propounded in the Council, this method enabled solutions to be reached in fields where the member States' interests, in the short run at any rate, were extremely divergent, as, for instance, in the energy sector.

The High Authority had independent powers of decision, and its decisions automatically had the force of law in member countries. It was therefore necessary that its activities should be subject to proper democratic checks and balances.

THE EUROPEAN PARLIAMENT

(formerly the Common Assembly) exercised political supervision over all that the High Authority did. It could pass a vote of censure in the debate on the General Report which the High Authority had to submit to it each year. In addition, through its various Committees, it kept a constant watch on the High Authority's day-to-day activities. The Parliament's powers were and are admittedly limited compared with those which the national parliaments have secured over the centuries: in particular, it did not and does not have the last word on budgetary matters. Nevertheless, it has from the outset been an essential link between the Community Institutions and the peoples of Europe whom it represents. At present it consists of 142 members of the six national Parliaments, although the Treaty provides for eventual direct election of its members.

There was always the possibility that High Authority decisions might injure the interest of firms or States. It was therefore necessary to provide for judicial supervision of those decisions whereby Community subjects would be safeguarded against any abuse of power by the High Authority. This function was and is exercised by

THE COURT OF JUSTICE

consisting of seven Judges and two Advocates-General. The Court ensured that the High Authority's interpretation and application of the Treaty was good in law. It had power to reverse High Authority decisions.

Such was the institutional framework of the first European Community, later adopted in essence by the two other Communities and now confirmed with the single institutional structure for all three Communities. It constitutes a new legal system of relations between States based on democratic principles. The system is neither a national nor, in the traditional sense, an international system. It is a Community system.

A new system of economic organization

The value of the Community concept made itself apparent not only in the political and legal but also in the economic field.

During the second half of the nineteenth century there was often an exaggerated emphasis on free enterprise or *laissez-faire*. In the first half of the twentieth century this led to a swing in the other direction, to totalitarianism,

extensive state control and comprehensive centralized planning. One of the great tasks of our own time is to work out a compromise between these two extremes which will reconcile the freedom of the individual with the degree of organization needed in our highly technical society.

The Paris Treaty has undoubtedly contributed to this aim. The European Community has placed national economic problems in a new and more appropriate perspective, that of

THE COMMON MARKET.

Experience has shown that these problems can no longer be effectively tackled in small national markets of ten million to 50 million consumers. Today one must think in terms of 150 million to 300 million people.

Modern economic and political organization has made the old European nation-sized unit obsolete.

What is a common market? It is an enlarged market created by abolishing all barriers to trade between the component national markets — such as customs duties, quotas, currency restrictions, discriminatory pricing, variations in cross-frontier transport rates. But it is essentially a common economic system based on this enlarged market, and given concrete form by common rules and common policies.

Establishing this new system has clearly been the hardest part of the process of European unification. In face of the immense variety of traditions and interests which have developed over the centuries in Europe, it

was bold indeed to wish to create such a system, even in the single limited sector of coal and steel. Nevertheless, as on the political side, the lessons of history made action imperative.

The common market for coal and steel is based on the principle of competition: that is, it is organized so that the most rational distribution of production at the highest level of productivity is achieved.

Past experience – for example, the Great Depression of the 1930s which extended all over the world – shows, however, that there is no such thing as a self-regulating market immune to recessions and other crises.

Competition in coal and steel was therefore subjected to rules whose observance the High Authority supervised. Some rules are designed to ensure market integration, by enforcing publication of prices, prohibiting discriminatory practices and eliminating State subsidies and special charges liable to distort competition. Other rules aim at promoting competition by examining and banning, where necessary, cartels and other restrictive agreements between firms. Although one of the objects of the common market has been to encourage producers to exploit fully the technical and economic advantages of large-scale operation, care has been taken to prevent undue concentration of firms which might dominate markets.

The High Authority was also empowered to take certain short-term measures – such as fixing minimum or maximum prices and production quotas, or allocating production – in the event of flooding of the market or grave shortage.

These are the traditional weapons of cyclical policy. The new elements in the structure instituted by the Paris Treaty concern long-term action and social policy: taken together, they were the first steps to a European industrial policy. This part of the Treaty has been less affected by economic changes than many of the other provisions.

Guiding investment

The High Authority's General Objectives, worked out from the forecasts for the next five to ten years, enabled each individual firm to view its own plans in the context of general developments in the Community coal or steel industry. In addition to offering (not imposing) this guidance, the General Objectives formed the yardstick by which the High Authority drew up the official opinions it issued on the investment projects of which firms were obliged to inform it. These opinions, though not legally binding on the firm, nevertheless indirectly affected the trend of investment by helping potential lenders of capital to decide whether to support a particular scheme.

Furthermore, it was on the basis of the General Objectives that the High Authority allocated to firms applying to it for investment loans the money it borrowed.

Thus the High Authority could guide long-term development of these Community industries flexibly – without direct interference in the companies' management with their rights in a free-market economy.

Technical research

The Treaty also contains passages which amount to a first outline for a common policy on technical research, so important to Europe's future. The High Authority sponsored, co-ordinated and assisted research projects which it considered to be in the common interest, and could contribute non-repayable grants to their cost.

Social affairs

In addition to equipping the High Authority with these instruments of long-term economic policy, the Paris Treaty contains a number of important provisions on social affairs. Indeed, these are perhaps the most radical innovations of all. The Treaty-makers fully realized that technical and economic progress involves continuous, rapid change in production techniques and business methods. Every economic system — capitalist, socialist or any other — is subject to the same law: progress depends on mobility. Now the need for adjustment may often mean hardship for workers. Firms may have to close, reduce production or change their methods, with serious effects on the economic balance of whole areas.

The social provisions of the Paris Treaty are based on the principle that the impact of such adjustments should not be borne by the workers and that their cost should be jointly financed. The High Authority had to help workers by providing, jointly with the six governments, non-repayable grants to tide redundant workers over the period between jobs, pay for occupational retraining, and

refund their removal expenses if they accepted employment in another part of the Community. This system of readaptation, as it was called, has proved its worth, especially in the coal industry, which since 1958 has been undergoing a grave structural crisis.

Retraining and resettlement aid on their own, however, alleviate rather than remedy, and so are not the full answer. The redundancies resulting from the crisis in the coal industry are not temporary; the workers will not be reabsorbed when business picks up again, for the coal industry will never again employ as many men as it once did. What is needed, then, is to attract, in advance of the actual closures, new industries to the coalfields affected, so that alternative employment will be available there for the miners when the pits cease production.

This redevelopment policy, which the High Authority carried out in co-operation with the six governments, was especially important in the areas where coalmining used to be the main if not the only industrial activity.

The Paris Treaty made the High Authority a pioneer in these fields and, like the organizational system it set up, its policies of "readaptation" of workers and redevelopment in industry are serving as models for the development of the Community as a whole.

The results

The establishment of the common market for coal and steel and of the common institutions soon showed results: steel production boomed, trade in coal and steel expanded

considerably, and prices remained exceptionally steady. Miners' and steelworkers' wages and conditions generally improved.

The gradual integration of the six national economies' coal and steel industries has led to closer contacts between producers, workers and consumers in the enlarged market. Experts from industry, governments and trade unions frequently visited Luxembourg to discuss their problems with the High Authority. Gradually all major issues affecting the two industries were seen in the new European perspective.

Meanwhile, at the High Authority's headquarters itself, there came into being a new type of civil servant: the European official. He spoke more than one Community language, worked harmoniously with colleagues of other nationalities on measures for the general good, and understood the interests not only of his own country, but also those of other member countries.

But the most notable result of all was that the ECSC paved the way for a further stride towards the unification of Europe. Following the signing in March 1957 of the Rome Treaty by the governments of the same six countries which had set up the ECSC, the European Economic Community was created, as was another specialized Community, the European Atomic Energy Community (Euratom).

The aim of the EEC was to complete the unification process started by the ECSC by bringing all economic activities within a general common market.

The Institutions of the two new Communities were modelled on the ECSC's – a Commission or executive, corresponding to the High Authority, a Council of Ministers, and the Parliament and Court of Justice, the two latter serving all three Communities. (The three executives and Councils have, of course, been merged since July 1, 1967). There was the same dialogue between the Commission, which worked out and upheld the common interest, and the Council voicing the interests of individual member States.

The Paris Treaty related to specific sectors (coal and steel) of the economy. It was therefore practicable to lay down a body of detailed rules determining the activities of the High Authority and the precise extent of the sovereignty surrendered to it by the national governments. But to draft a similar Treaty covering all sectors of the economy would probably have taken years of exceedingly difficult negotiations and produced an extremely long document. Instead, the makers of the Rome Treaty confined themselves principally to establishing the procedures for enacting the “regulations” which were to embody the Community's future economic policy in the various fields – such as agriculture, transport and competition. This means that the Commission and Council must co-operate very closely. The procedure is that the Commission, by straight majority vote, initiates the relevant proposals; then the Council decides (at first unanimously but now by weighted majority) whether to accept the proposals. It may amend a Commission proposal, but only if the Ministers are unanimous.

An emerging body of Community law is thus the product of this continuous dialogue between these two separate Institutions.

The ECSC's difficulties

The ECSC soon found itself facing difficulties, some of which had been foreseen. They were the inevitable results of restricting economic integration to the coal and steel sectors when all the sectors in the modern economy are so closely interknit. The Paris Treaty did not establish a common market for transport, but it was impossible to create a competitive coal and steel market without eliminating discriminatory practices in transport. So the Treaty had to venture beyond the field of the two heavy industries themselves and lay down a few common rules for the transport sector – though it was difficult to implement them in respect of coal and steel products only and not of any other type of consignment.

Another defect was the absence of any provision for a common trade policy towards non-member countries. Obviously, the six governments, being responsible for their countries' economic policies as a whole, could not be expected to surrender their sovereignty on these to a European Institution responsible only for coal and steel. On the other hand, it soon proved extremely difficult, if not impossible, to lay down and carry out consistent, effective policies for coal, energy and steel products – all of them extensively imported and exported – without a common trade policy. But these problems served, and still serve, as an incentive to progress. For they demonstrated

the need to move forward to a general common market for all goods.

There were other difficulties which had not and perhaps could not have been foreseen. When the Paris Treaty was signed, the six countries wanted to make sure they would always have an adequate supply of coal. It did not occur to them that a mere five years later a massive and permanent coal surplus would develop, following a market breakthrough by other fuels, especially oil. The High Authority was equipped to deal with temporary, cyclical crises. But no thought had been given to the possibility of a structural crisis, jeopardizing the whole future of an industry.

The problem was clearly too big to be tackled on a purely “coal” basis: what was needed was a common policy on all forms of energy. But responsibility for this still lay mainly with the six governments. Such powers as existed at European level were divided among the three Communities, the ECSC having jurisdiction over coal, the EEC over oil, natural gas and electricity, and Euratom over nuclear power. It was therefore necessary to set up an inter-executive working party on energy, consisting of representatives of the High Authority and the EEC and Euratom Commissions, which tried to establish a basis for a common energy policy.

The working party submitted several sets of proposals from 1958 on to the Council of Ministers. The Council, however – while fully recognizing that a common market for energy would have to be established within the general common market – concluded that the framing of a com-

mon energy policy would still take considerable time. However, in April 1964, on the High Authority's proposal, it did adopt a Protocol allowing the latter, pending the merger of the Communities (agreed in principle by the governments at about the same time), to take emergency action in the coal sector.

The High Authority was now able to pay subsidies, in accordance with Community rules and under Community supervision, to help the coal industry adjust itself to the structural crisis. In February 1967 the Council endorsed a High Authority decision setting up a Community system of aids for coking coal and coke.

These measures did not in themselves constitute a common energy policy. But they were the first steps towards one. They were particularly important because member countries' existing energy patterns, and hence their individual national interests, differ as widely as they do for agriculture.

This dialogue between the High Authority, which had practically no powers under the Treaty to intervene directly in the entirely unforeseen situation that overtook coal, and the governments, which are able to act at national level, enabled arrangements in the common interest to be devised without infringing the basic requirements of the Treaty.

The same Community method was adopted to deal with the difficulties which have arisen in the steel sector since 1963. Again, these are not cyclical troubles of the type envisaged by the Treaty, but a more permanent change in market conditions. The problem is one of

widespread overcapacity, which is depressing the Community steel industry's prices, and consequently its revenue, at a time when it ought to be making an intensive modernization and rationalization drive in order to compete effectively with well-equipped counterparts elsewhere in the world. Here, too, the High Authority, while itself doing all it could under the Treaty rules, co-operated with the six governments in seeking Community-level solutions.

The main object was to get the steel market on to a sound economic basis by restoring some degree of discipline in production and pricing, reorganizing the industry into larger and hence more efficient units, and scrapping obsolete plants whose output was harming the market. National-level changes planned by some member governments may well assist this process, provided they are not mutually contradictory – in other words, provided they are dovetailed into a common steel policy. The High Authority submitted proposals to this effect to the Council of Ministers.

Both the energy and the steel sectors are therefore going through a period of radical change. This does not make the work of European unification easier. But these changes would have occurred in any case, and the problems they cause can now be tackled jointly. In fact, some of them could not easily have been solved by traditional means.

The future

The ECSC was the first concrete step towards the economic unification of Europe. It established a new

system of inter-State relations through its system of common Institutions, and a new method of economic organization through an enlarged market under common rules. In this way it laid the basis for the wider European Economic Community.

But what it did above all was to demonstrate that the Community system worked. The system was not foolproof; it had never been tried before, and it did, as time went on, have to be adapted to changing conditions. It had to cope increasingly with circumstances for which the Treaty makes no provision, often with exceedingly difficult cases where the interests of the member States were diametrically opposed. Nevertheless, it progressed slowly but surely towards agreed common action.

Its vitality lay in its adaptability. This is retained in the new single Commission of the three Communities. The experience of the High Authority will be preserved when the time comes for the merger of the Communities themselves under a single Treaty, and when the Community is expanded geographically to include other European countries, although an increase in membership may mean changes in the Community's structure.

The world of today is modelled on Europe and European ideas and practices. For many years Europe's influence was so great that it had no need of unity to be paramount in many spheres – economic, political, cultural, scientific. But, nowadays, it must become united and strong if it is to make its voice heard at all. The continent that gave technological civilization to the world is faced with the prospect of declining ultimately into a relatively under-

developed area unless it combines in an all-out drive to close the technological gap between its current achievements and those of the super-powers. Itself the biggest exporter of human brain-power, Europe is now also the biggest importer of technological inventions devised elsewhere.

Like the process of national unification by which the countries of Europe themselves came into being, the process of European unification will evolve through gradual growth to political maturity. Each of our countries has passed through a period when it appeared impossible to most people that there should be one institution with effective powers and whose writ should run over the length and breadth of the land. Yet such national institutions did emerge and were accepted. Little by little men came to feel they belonged to a larger entity than their own village or town or country — first as they found themselves compelled to stand together against a foreign foe, later as they desired to build up a state in line with the needs of their day.

Europe has completed the first stage in its unification, acceptance of the need to close ranks. It has now moved into the second, the stage of recasting its political and economic organization in the mould of the present age. The Community concept has shown it the way. Since the Community works by dialogue and has for ever relegated ordeal by combat to the past, we have to accept that unification will be a long and difficult process. Yet some day, in a form we still cannot know, Europe will accept political unity too.



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