



UNITED EUROPE- THE FIRST STEP

Based on the Fifth General Report
of the European
Coal and Steel Community

The Coal and Steel Pool, 1952–1957

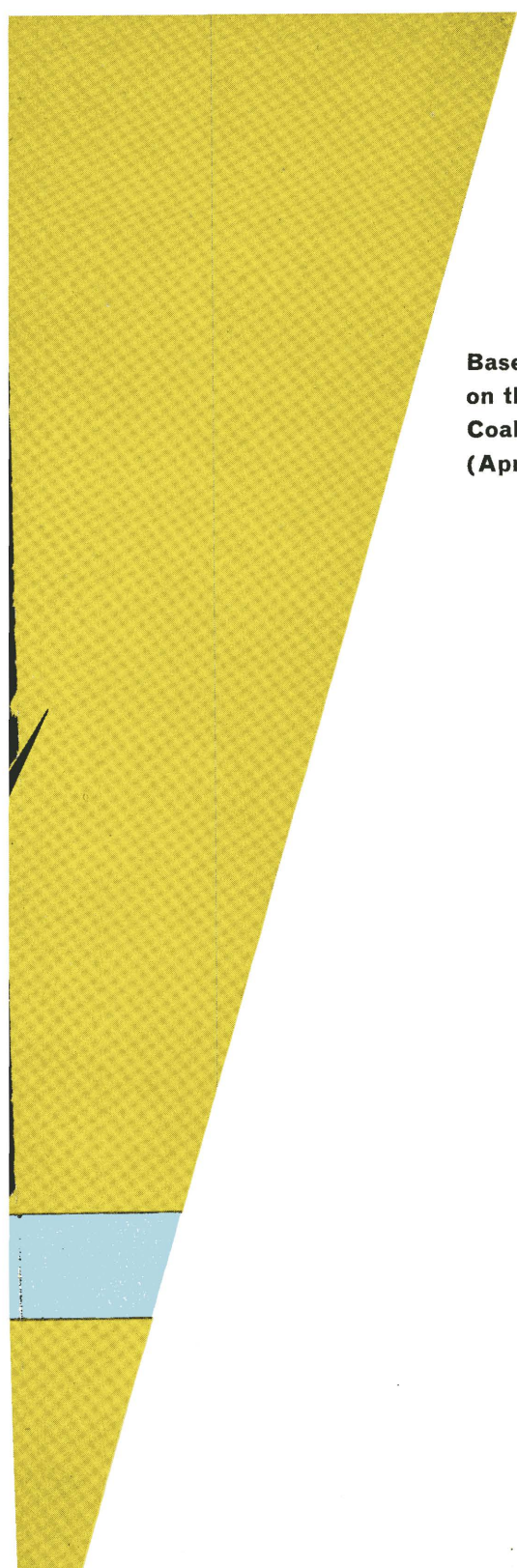
The first real step towards the economic integration of Europe was taken in July 1952, when six countries joined to set up the European Coal and Steel Community. Only a few months later, in the spring of 1953, the Common Market for coal and steel was introduced. To bridge the difficulties involved by the passage from a national to an international economy, the Treaty establishing the Community provided for a transitional period of five years. This period expires in February 1958.

The Fifth Annual Report which the High Authority submitted to the Common Assembly in May and June 1957 is therefore of especial significance.

But the High Authority has to account for its activities not only to the 78 European delegates who make up the Common Assembly, but to the 160,000,000 nationals of the six Community countries — Belgium, France, the German Federal Republic, Italy, Luxembourg and the Netherlands.

The building of a united Europe is not only a matter for the politicians, economists and technicians. It is the task of every European, for upon what has already been achieved, and upon the further steps towards integration encouraged by this first experiment, the future of Europe will depend.

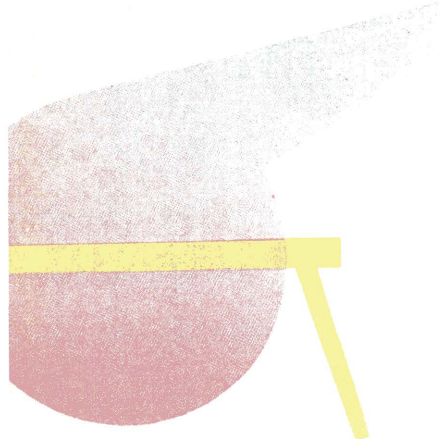
Unity in Europe means higher living standards and a better guarantee of peace for its peoples



**Based on the Fifth General Report
on the Activities of the European
Coal and Steel Community
(April 1956 – April 1957)**

SUMMARY

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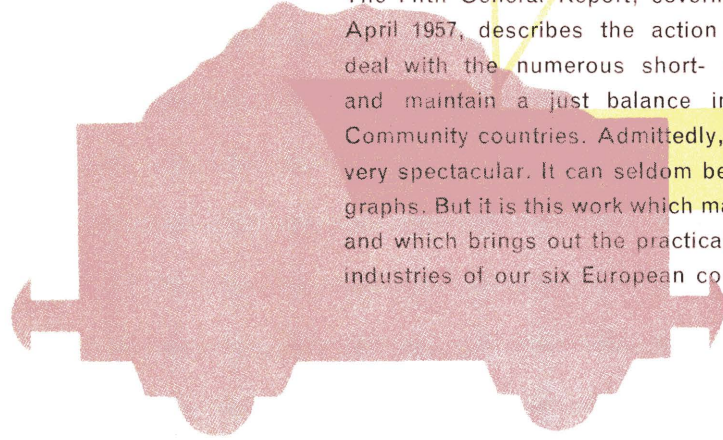
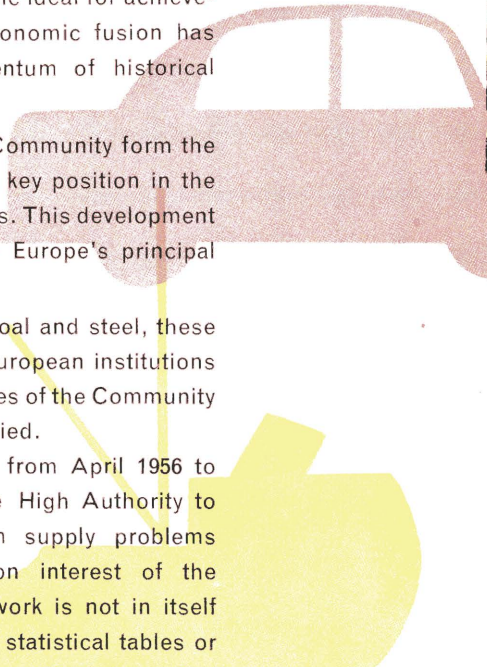


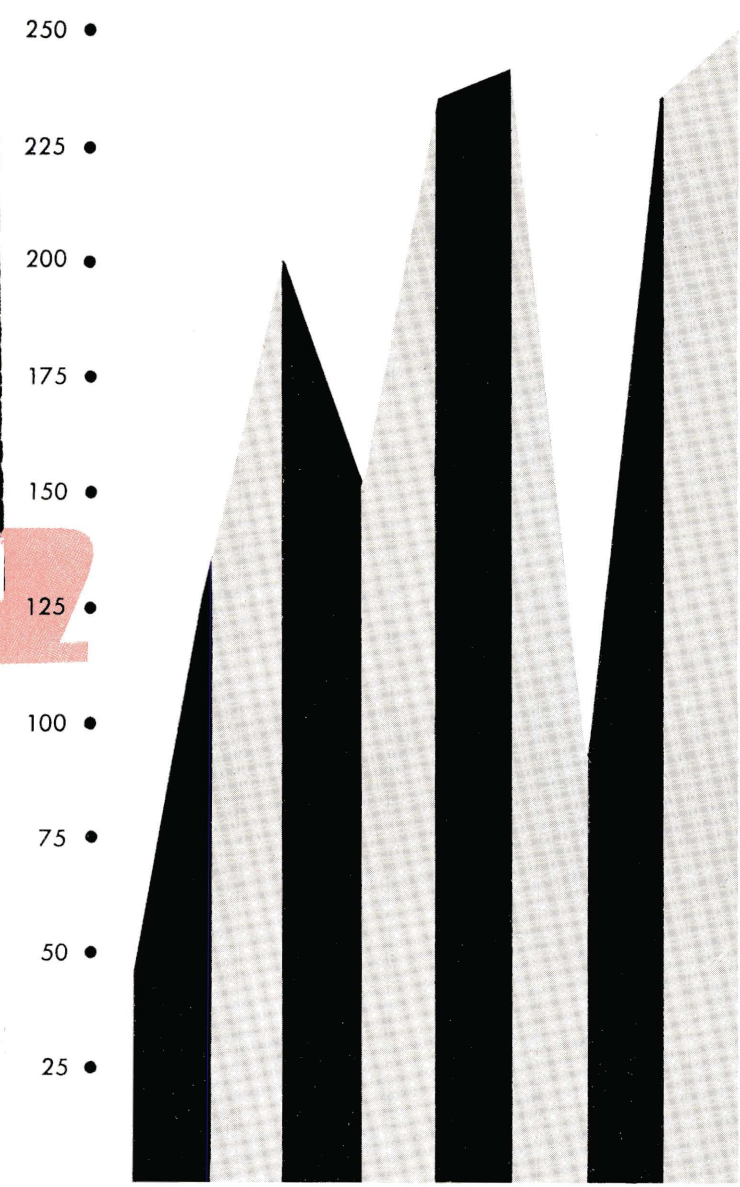
The unification of Europe is no longer an academic ideal for achievement in the remote future. The process of economic fusion has begun, and is continuing with the full momentum of historical necessity.

The industries of the European Coal and Steel Community form the basis for all other industries, and hence have a key position in the general economic development of the six countries. This development largely depends on regular supplies of coal — Europe's principal source of energy — and of steel.

By the introduction of the Common Market for coal and steel, these basic resources were brought under common European institutions whose task is to ensure that the national economies of the Community countries are kept regularly and equitably supplied.

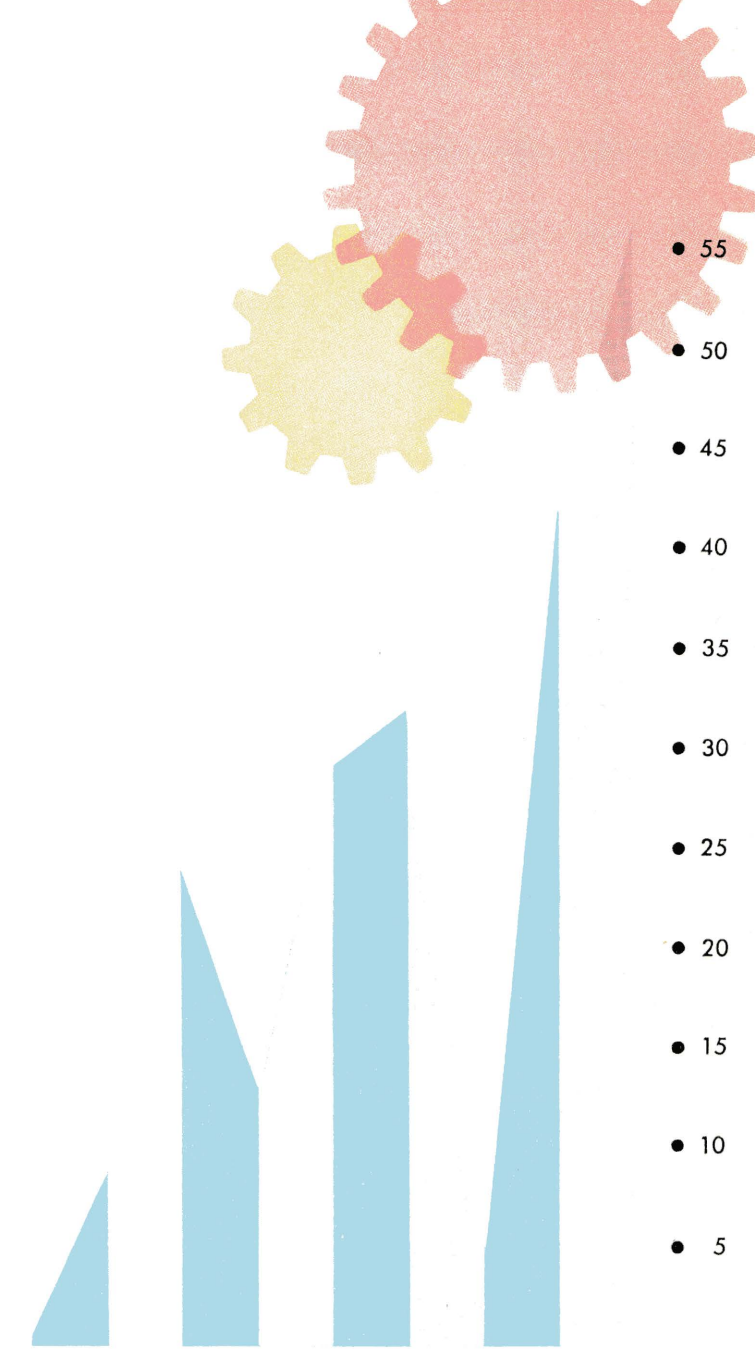
The Fifth General Report, covering the period from April 1956 to April 1957, describes the action taken by the High Authority to deal with the numerous short- and long-term supply problems and maintain a just balance in the common interest of the Community countries. Admittedly, this routine work is not in itself very spectacular. It can seldom be illustrated in statistical tables or graphs. But it is this work which makes the Common Market a reality, and which brings out the practical importance of pooling the basic industries of our six European countries.





1870 1900 1913 1920 1930 1938 1945 1952 1956

Hard-coal production in the Community
(in millions of metric tons)



1870 1900 1913 1920 1930 1938 1945 1952 1956

Production of crude steel
(in millions of metric tons)

EUROPÄISCHE GEMEINSCHAFT
FÜR KOHLE UND STAHL

HOHE BEHÖRDE

COMMUNAUTE EUROPEENNE DU
CHARBON ET DE L'ACIER

HAUTE AUTORITE

COMUNITA' EUROPEA DEL
CARBONE E DELL' ACCIAIO

ALTA AUTORITA'

EUROPESE GEMEENSCHAP
VOOR KOLEN EN STAAL

HOGHE AUTORITEIT

THE INSTITUTIONS OF THE COMMUNITY

The High Authority

The Governments of the member countries in February 1957 reappointed M. René MAYER President of the High Authority, and Herr Franz ETZEL and M. Albert COPPÉ Vice-Presidents, for the period February 10, 1957 — February 9, 1959.

Apart from M. MAYER himself, who has been President since 1955, all the Members of the High Authority have been in office since its inception in July 1952. They are, in addition to the two Vice-Presidents, M. Léon DAUM, M. Paul FINET, Sig. Enzo GIACCHERO, Dr. Heinz POTTHOFF, Mh. Dirk SPIERENBURG, and M. Albert WEHRER.



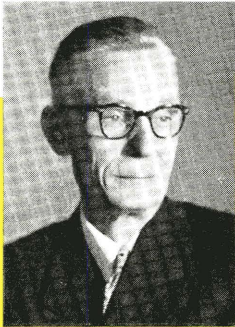
René Mayer
President



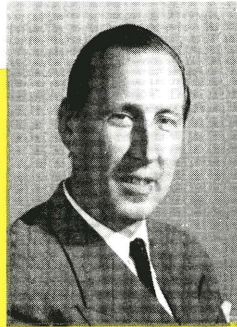
Franz Etzel
Vice-President
born Wessell, Germany



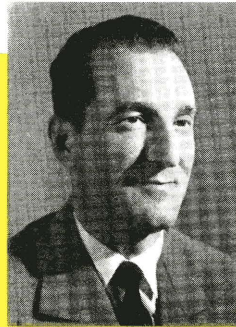
Albert Coppe
Vice-President
born Gruges, Belgium



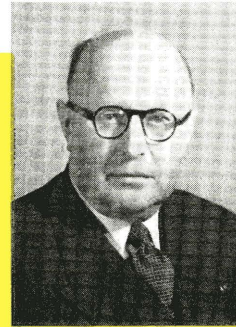
Paul Finet
Member
Born Brussels, Belgium



Dirk Spiereburg
Member
Born Rotterdam, Netherlands



Enzo Giacobbe
Member
Born Turin, Italy



Albert Wehrer
Member
Born Luxembourg



Paul Dorn
Member
Born Paris



Heinz Polthoff
Member
Born Berlin, Germany

The Consultative Committee

The Consultative Committee, which consists of representatives of the employers, workers and consumers, is required to give technical advice to the High Authority. The High Authority has been in the habit of reporting to it quarterly on general economic trends and on its own day-to-day work.

Herr Fritz Dahlmann, a German trade-unionist, was elected President for the period January 15, 1957 — January 14, 1958.



Fritz Dahlmann



Hans Furler

The Common Assembly

The Assembly met in May and November 1956 and in February 1957. In the intervening periods its various committees kept a constant check on every aspect of the High Authority's activities.

At the November Session the outgoing President, Sig. Giuseppe Pella, was succeeded by Herr Hans Furler, German Christian Democrat.

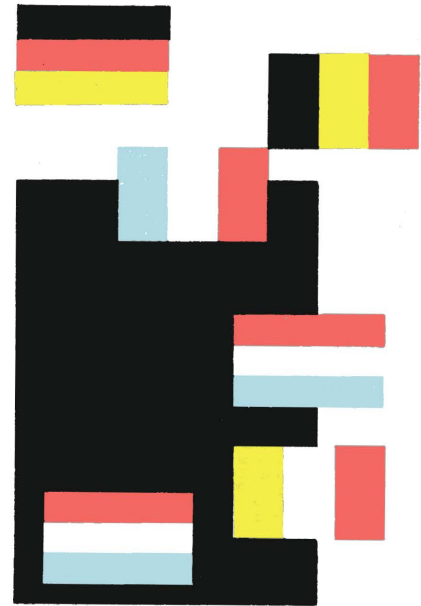
The Council of Ministers

The Council met ten times during the year to help co-ordinate the work of the High Authority with the general economic policies of member Governments.

On the proposal of the High Authority after the mining disaster at Marcinelle, Belgium, in August 1956, the Council decided to call a European Conference on Safety in Coal-mines.

On February 7, 1957, it approved the draft of a European Social Security Convention for miners taking jobs in Community countries other than their own.

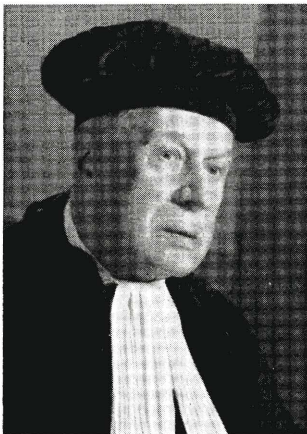
The chairmanship of the Council of Ministers is fixed by rotation, the representative of each country occupying the chair for three months.



The Court of Justice

The Court delivered ten judgments in all during the past year, in cases of fundamental importance for the development of the Common Market. These included appeals by the producers' association of the Luxembourg iron and steel industry, by the Belgian Coal-mining Federation, by three Belgian collieries and by one of the three Ruhr coal-selling agencies.

Sig. Massimo Pilotti has been President of the Court since December 1952.



Massimo Pilotti



THE EXTERNAL RELATIONS OF THE COMMUNITY

In its relations with non-member States, the so-called “third countries”, the Community makes no attempt at economic self-sufficiency. It does not seek to remain a “little Europe”, but is open to all other European countries which wish to join.

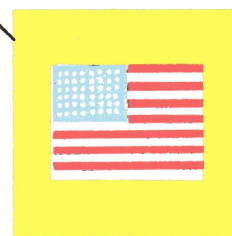
History shows — in Switzerland, for instance — that a federation is built up and extended not only by the formal recruitment of new adherents, but also, step by step, in the less rigid form of special agreements based on the particular situation of each country concerned. It is in this way, too, that the Community has progressively extended its relations with other European countries.

At the end of 1954, it concluded an **Agreement of Association with Great Britain** which laid the foundations for fruitful collaboration on trade in coal, on the gradual elimination of trade barriers and on the long-term orientation of production, consumption and supplies of energy and raw materials.

In May 1956, the Community signed a **Consultation Agreement with Switzerland**. The international rail through-rates in force on Community territory were also extended to cover Treaty products in transit across Switzerland.

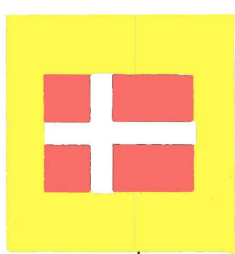
In the same month, the Community concluded a **Customs Tariff Agreement with Austria**. Negotiations to extend the international through-rate system to traffic in transit through Austria have also been completed.

A number of European and non-European Governments maintain diplomatic representatives accredited to the High Authority. These are:

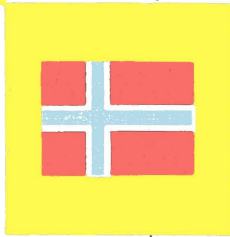


UNITED STATES

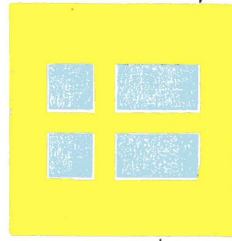
Great Britain
United States
Sweden
Norway
Denmark
Switzerland
Austria
Japan



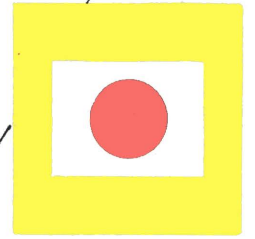
DENMARK



NORWAY

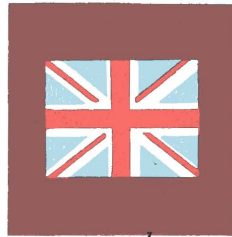


SWEDEN

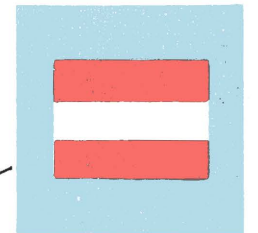
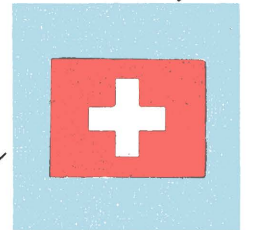


JAPAN

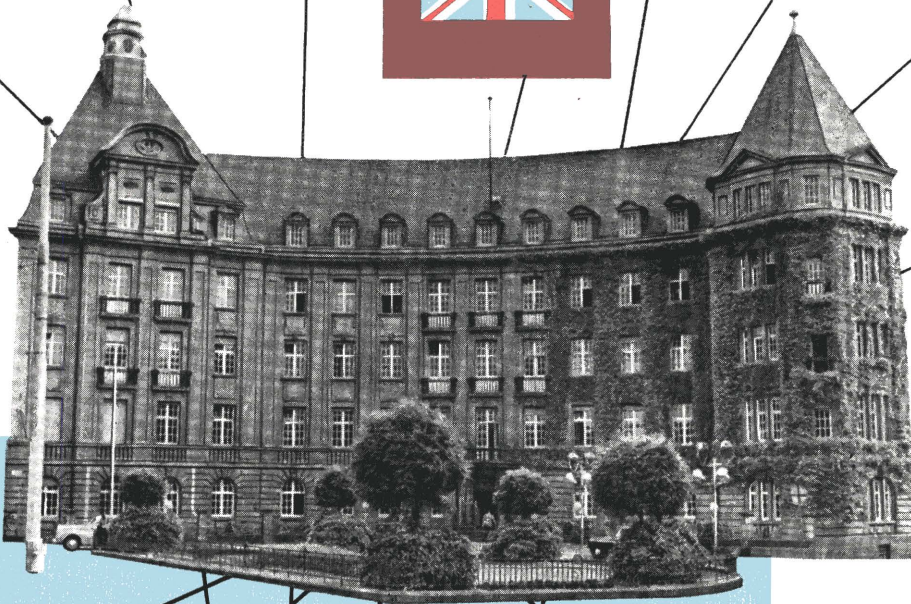
GREAT BRITAIN



SWITZERLAND



AUSTRIA



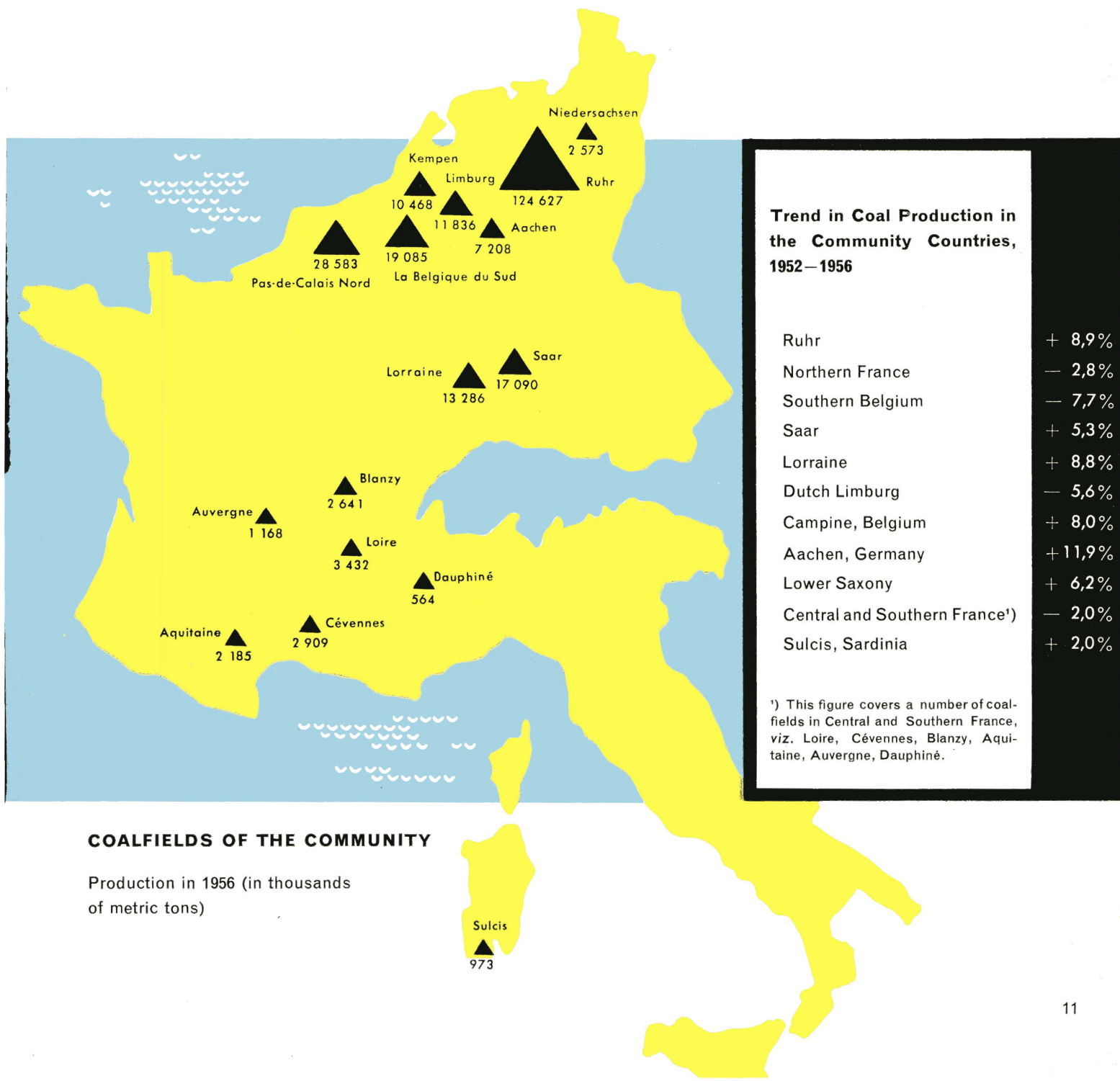
THE COMMON MARKET FOR COAL

One of Europe's Greatest Problems is Coal

For some years now Europe's economy has been expanding vigorously and rapidly. Between 1952 and 1956 the Community's industrial production alone rose by 42%.

This has meant a major increase in energy needs. Coal no longer towers above all other energy sources as it did thirty years ago, but it is still Europe's basic source of power. **Two-thirds of the Community's energy needs to-day are still covered by coal.**

But despite this soaring demand, output of coal has increased only very slowly. From 1952 to 1956, the Community's coal production went up only from 239 million to 249 million metric tons — that is, by **barely 4%**.



COALFIELDS OF THE COMMUNITY

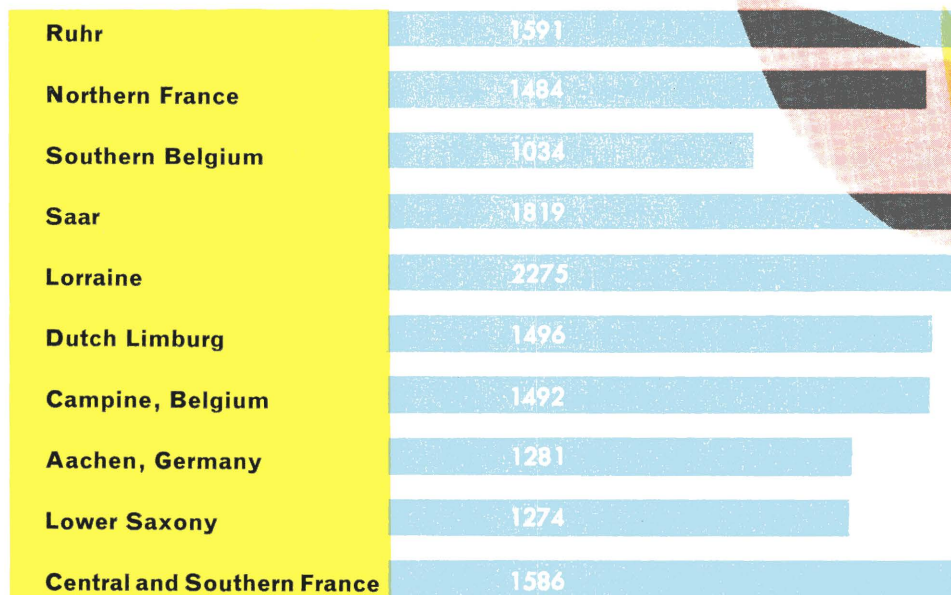
Production in 1956 (in thousands of metric tons)

Sulcis
973

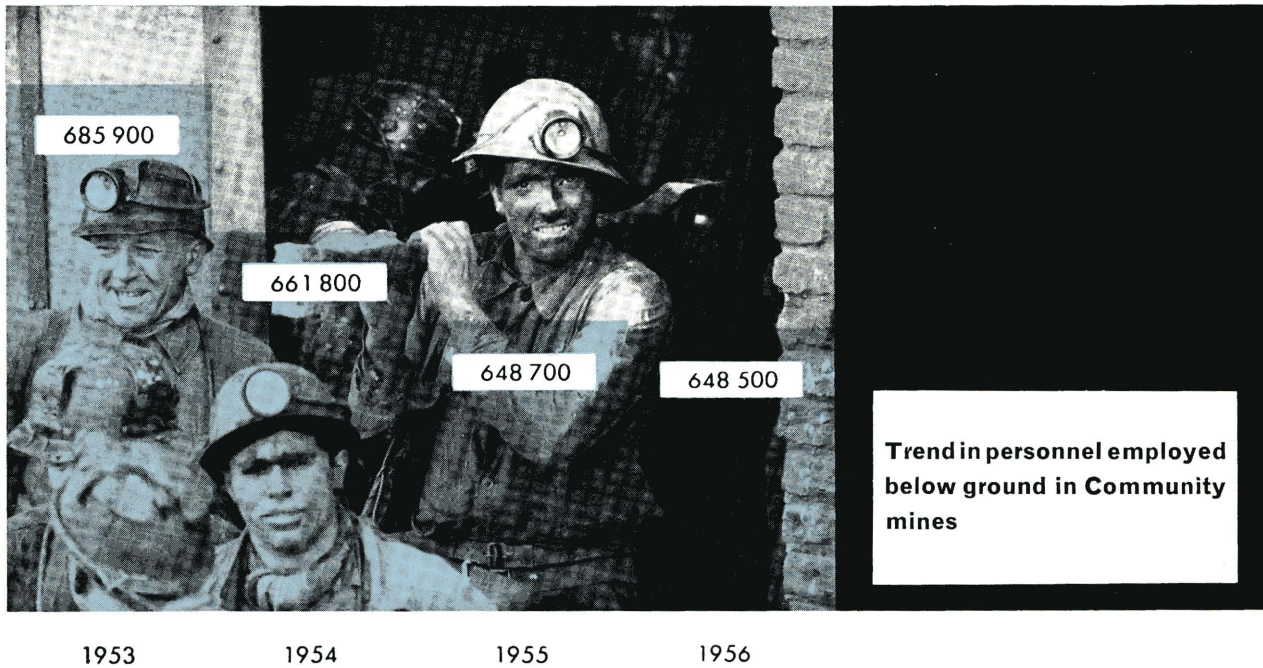
The figures for the trend in **underground output per man-shift** are, however, very much more encouraging than those for annual production. The average underground output per man-shift for all the coalfields of the Community rose between 1952 and 1956 from 1,389 kg (approx. 1 ton 7½ cwt) to 1,529 kg (approx. 1 ton 10 cwt), i.e. **by about 10%**.



Underground Output per Man-Shift in Community Coalfields, 1956 (in kilograms)



Expansion in Community hard-coal production has been hampered in recent years by an **acute shortage of manpower**. There is a growing drift away from coalmining, mainly because jobs in other industries are less strenuous and in some cases better paid. The number of underground workers employed in Community pits shows the following continuous decline over the past few years:



If production capacity had been fully exploited, Community hard-coal extraction in 1956 would have been more than 10 million metric tons greater.

The High Authority and the member Governments have taken a series of steps to make coalmining more attractive and give it a higher standing, by improving living and working conditions in the industry.

The Result of the Shortfall

More imports

As a result of increasing demand, hard-coal imports from third countries have had to be considerably increased:

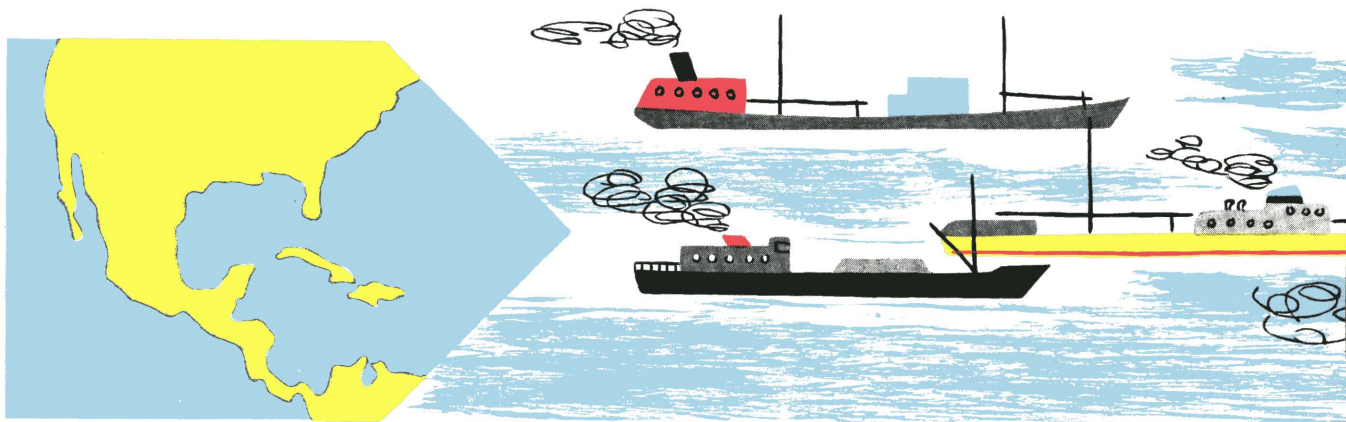
(millions of metric tons)

	1952	1956
West Germany	7.9	13.7
Belgium	1.2	2.8
France	5.4	8.8
Italy	5.0	7.6
Netherlands	2.7	5.1
Community	22.2	38.0

Of these totals, the **United States** provided

16.3 million metric tons in 1952

30.4 million metric tons in 1956



But imported coal is more expensive . . .

The pithead prices of American coal are admittedly lower than those of Community coal. But rocketing **transatlantic freight charges** during boom periods mean that American coal at European ports often costs a good deal more than its counterpart from the Community coalfields.

Average prices in 1956:

C. i. f. price of American coal:

\$ 18—22 per metric ton

Price ex-mine of corresponding grades from Community coalfields:

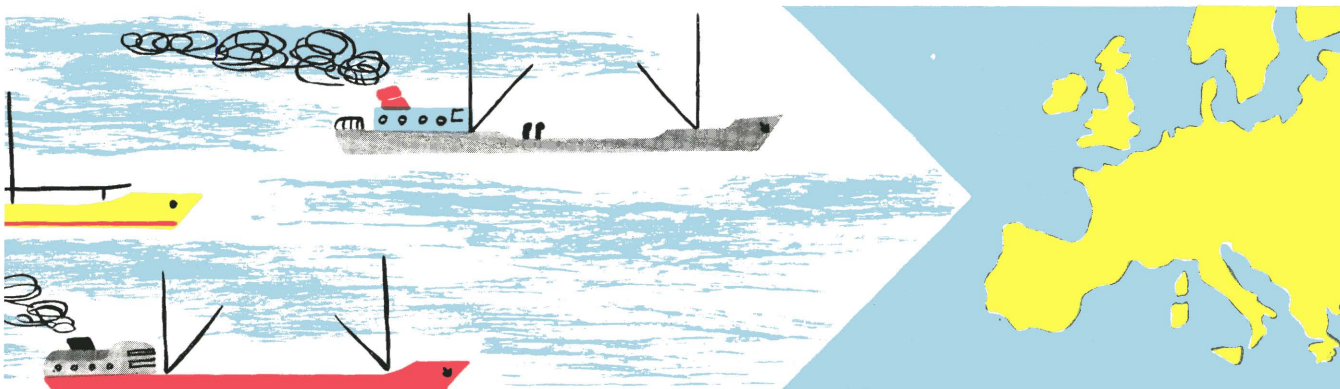
\$ 12—14 per metric ton

Moreover, **Community coal prices are more stable** than the prices of imported American coal. From 1953, when the Common Market for coal was introduced, to the beginning of 1957, coal prices had gone up as follows:

Price ex-mine of French coal + 3 %

Price ex-mine of German coal + 10 %

C. i. f. price of American coal +50 %



. . . and it has to be paid for in dollars.

In 1956, the Community countries imported American coal to a total value of **552 million dollars**.

The Coal Supply Problem

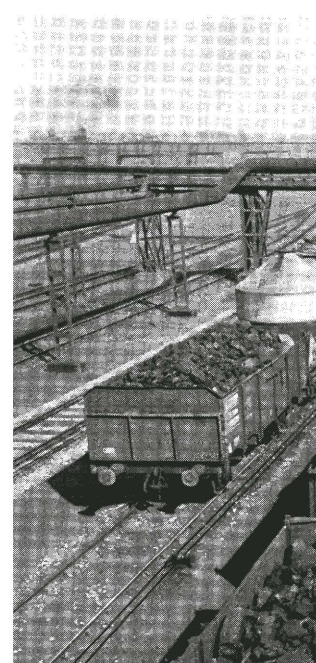
is therefore not so much the lack of coal — American coal imports raise no quantitative problem — as the disparity in price between American and Community coal.

This is why, in spite of the tightness prevailing in the market, the High Authority has not found it necessary to declare a state of “**serious shortage**” and allocate the Community’s coal supplies, as it is entitled to do under Article 59 of the Treaty.

Nevertheless, in order to ensure regular supplies of Community coal to all areas and consumer groups, it has introduced a number of individual measures. These include:

- Action to ensure adequate supplies to **household consumers** (the delivery schedules of the Ruhr coal selling agencies were amended in their favour, at the request of the High Authority);
- Action to ensure adequate supplies of Lorraine coal to Southern Germany;
- Action to ensure adequate supplies of Ruhr coal to the French iron and steel industry;
- Action to have delivery schedules drawn up by the main coal-producers of the Community, for the coal year 1957—1958;
- Inquiry into the problems of retail distribution to household consumers (retailers do not come under the High Authority’s jurisdiction);
- Inquiry into the fixing of retail prices and trade margins, in consultation with the member Governments;
- Endeavours, via the Organization for European Economic Co-operation (O.E.E.C.), to obtain a reduction in maritime freight-rates for American coal.

In addition, the High Authority has kept a constant watch to ensure that **trade in coal within the Common Market** should not be hampered by artificial barriers (dual pricing, state intervention in the operation of the market, etc.).





Where the Coal Came From

Supplying country	1952	1956
	'000 metric tons	
Belgium	2,567	3,926
France with Saar	4,482	4,739
German Federal Republic	9,262	10,205
Netherlands	4	837
Total:	<u>16,315</u>	<u>19,707</u>

Trade in Hard Coal

between Community countries increased from 16.3 million metric tons in 1952 to 19.7 million metric tons in 1956, i.e. by over 20%. (Indeed, in 1955 it was up to 23.2 million.)

Where the Coal Went To

Country of destination	1952	1956
	'000 metric tons	
Belgium	490	1,896
France with Saar	4,934	5,278
German Federal Republic	3,959	4,541
Italy	3,888	3,342
Luxembourg	323	325
Netherlands	<u>2,721</u>	<u>4,225</u>
Total:	<u>16,315</u>	<u>19,707</u>

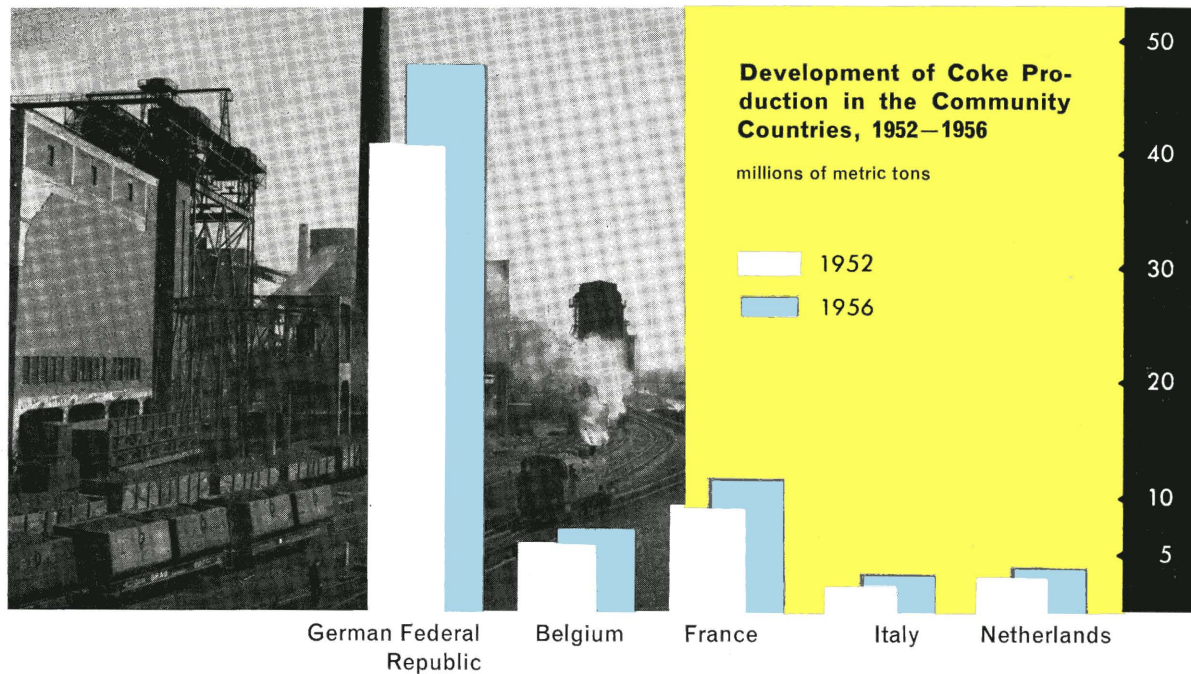
THE STEEL INDUSTRY'S SUPPLY SITUATION

The principal raw materials for the production of steel have since February 1953 formed part of the Common Market, in the same way as steel itself and hard coal:

COKE
IRON ORE
SCRAP

**COKE: production rising steeply,
but requirements rising more steeply still.**

Community coke **production** has succeeded better than hard-coal production in keeping pace with the increasing demand. Between 1952 and 1956, it rose by 20%, from 62.4 million to 74.7 million metric tons.



In spite of rising production, it proved impossible to cover in full the requirements of the Community, which is almost entirely dependent on its own production (imports from third countries are on a very small scale). Two-thirds of the Community's total coke resources are consumed by the iron and steel industry. And **pig-iron production** rose by **25%** from 1952 to 1956, while **crude-steel production** rose by **36%**.

Trade in coke between Community countries is governed by developments in the steel market. It first fell between 1952 and 1954 from 8.1 million to 7.0 million metric tons, but by 1956 had risen again to 9.1 million. The increase since 1954 is, therefore, more than 30%.

Where the Coke Came From

Supplying country	1954	1956
	'000 metric tons	
Belgium	562	626
France with Saar	188	146
German Federal Republic	5,402	7,147
Netherlands	838	1,167
Italy		
Community Total:	<u>6,990</u>	<u>9,137</u>

Where the Coke Went To

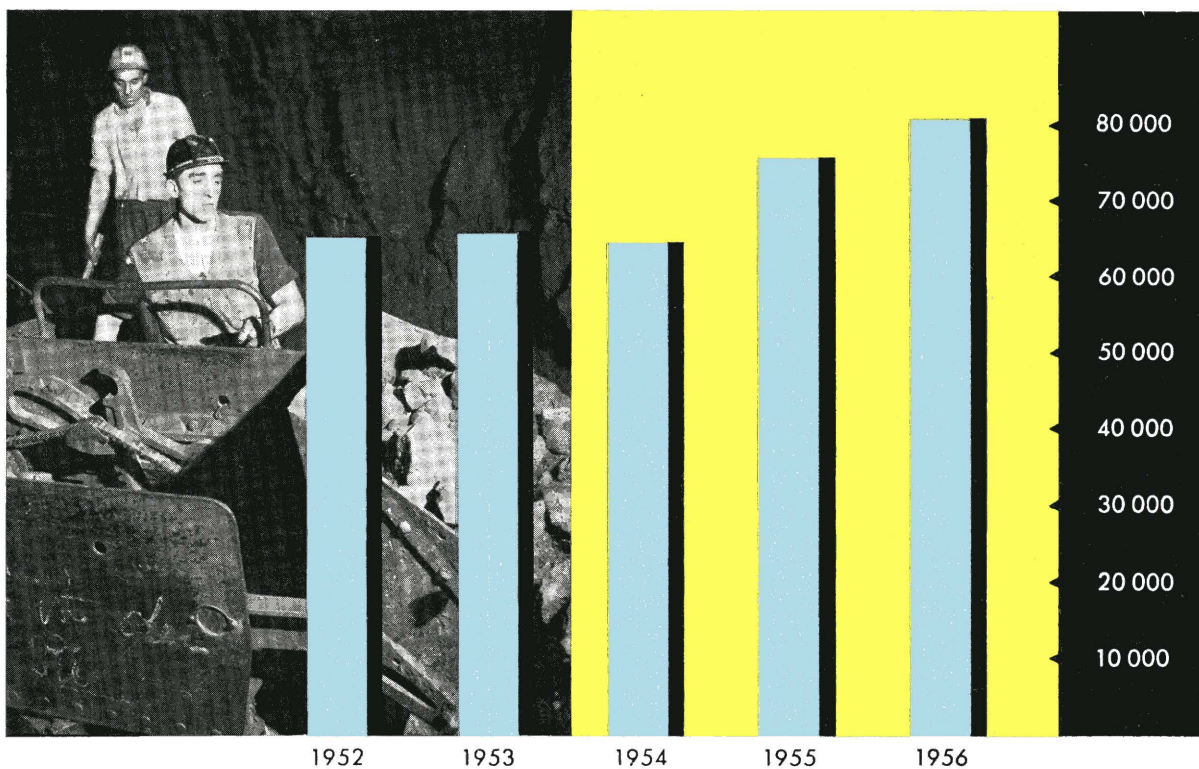
Country of destination	1954	1956
	'000 metric tons	
Belgium	76	106
France with Saar	3,228	4,726
German Federal Republic	188	305
Italy	23	4
Luxembourg	3,121	3,641
Netherlands	354	350
Community Total:	<u>6,990</u>	<u>9,137</u>

**IRON ORE: production rising steeply,
but dependence on imports also
on the increase.**

Hitherto there has been no difficulty in supplying the iron and steel industry with iron ore. Community production rose between 1952 and 1956 by almost **24%**, from 65.3 million to 80.7 million metric tons.

Gross iron-ore output in the Community countries

'000 metric tons



Development of Iron-Ore Production in Community Countries, 1952—1956

	1952	1956
	'000 metric tons	
Belgium	132	144
France	41,184	53,384
German Federal Republic	15,408	16,928
Italy	1,320	2,646
Luxembourg	7,248	7,595
Community Total:	<u>65,292</u>	<u>80,697</u>

Nevertheless, demand increased still more rapidly than production, so that imports from third countries had to be substantially increased:



1952 13.8 million metric tons
1956 22.8 million metric tons

The growing proportion of the Community's supplies now covered by imports necessitates a very close watch on world price trends and on the availability of shipping space.

Trade in iron ore between the Community countries has expanded considerably:

1952 9.4 million metric tons
1956 14.1 million metric tons = +50%

The increase is accounted for mainly by French deliveries to other Community countries, particularly Belgium. 1956 showed a substantial rise in French sales to Germany: these totalled almost 600,000 metric tons, an increase of 66% over 1955.

SCRAP: a major problem for the European iron and steel industries

The scrap supplies of the Community's iron and steel industry have so far raised no insurmountable difficulties, apart from seasonal fluctuations and occasional shortages of shipping space for imports. But scrap raises serious problems for the future development of steel production, since owing to the increase in input, particularly in open-hearth and electric furnaces, scrap requirements are rising faster than steel production — which itself went up by 36% between 1952 and 1956. A further substantial increase in steel production may be expected during the next few years.

As a result, the gap between the Community's scrap needs and supplies is widening all the time. So far it has been possible to cover the mounting deficit by imports from third countries, and in particular from the United States. But it is always possible that the few scrap-exporting countries (whose steel production is also expanding) may be obliged to restrict their exports.

Community Scrap Supplies in 1956

	Increase 1955—1956	
	millions of metric tons	
Steelworks' own resources	13.5	+ 0.6%
Scrap collection within the Community	9.9	+ 1.5%
Imports from third countries	3.2	+ 8.0%
Total supplies	<hr/> 26.6	+ 4.9%
Total consumption	26.7	+ 9.7%
Withdrawals from stocks at works	0.1	

Trade in scrap between Community countries has increased sharply since the introduction of the Common Market. The figure for 1956, 1,300,000 metric tons, was **three times that for 1952**, 432,000 metric tons.

The expected trend in steel production makes it absolutely imperative that more **pig-iron should be used** in order to save scrap. But this will necessitate large-scale investments in blast furnaces, ore-dressing and coking-plants, and in the iron-ore mines themselves.

The **High Authority** has taken steps to facilitate and encourage such investments: in order to help the industry over the difficult transition period of two years or so before the investments begin to yield results, it has moved to prevent any increase in the scrap deficit.

Scrap — High Authority Action

THE FIRST PROBLEM: the disparity in price between imported scrap and scrap recovered in the Community.

Transatlantic freight-rates make the price of imported scrap on arrival in European ports considerably higher than that of scrap recovered within the Community.

At the beginning of 1957, prices were:
for imported scrap (c.i.f.) \$ 82 per metric ton
for Community scrap \$ 42.50—51.50 per metric ton

SOLUTION

As early as the beginning of 1955, the High Authority took steps to remove this disparity and thereby ensure that the price of Community scrap did not rise to the higher level of imported scrap. To this

end, a **compensation levy** was imposed on every ton of scrap purchased in the Community. The sum of these compensation payments is used to cover the additional cost of imported scrap, so that the scrap-consuming works pay approximately the same price for imported as for Community scrap. This means, of course, that all scrap consumers have to pay more than the Community “home price”, but even so they pay a good deal less than if the home price level had been allowed to rise to the import price level.

THE SECOND PROBLEM: incentives to save scrap. In order to ease the tightness in scrap supplies, the High Authority had to ensure that a higher proportion of pig-iron was used in place of scrap.

SOLUTION

Out of the compensation levy on scrap bought within the Community, **bonuses** have been paid since mid-1955 to works managing to save scrap in open-hearth and electric furnaces by increasing their input of pig-iron and liquid basic Bessemer steel.

With effect from February 1, 1957, the High Authority introduced an amended compensation system. Over and above the compensation levy itself, scrap consumers now have to pay a surcharge which goes up on a sliding scale in proportion to any increase in their absolute scrap consumption over that of a chosen reference period. But firms can reduce and even nullify the surcharge by lowering their rate of scrap usage per ton of steel produced. Appeals against this decision of the High Authority are at present before the Community's Court of Justice.

THE COMMON MARKET FOR STEEL

We live in an age of ever-growing demand for steel. Our whole existence is increasingly affected by steel. More and more steel is required, for the building industry, for shipbuilding, for the motor industry, for energy production — in fact, for every sector of economic activity.

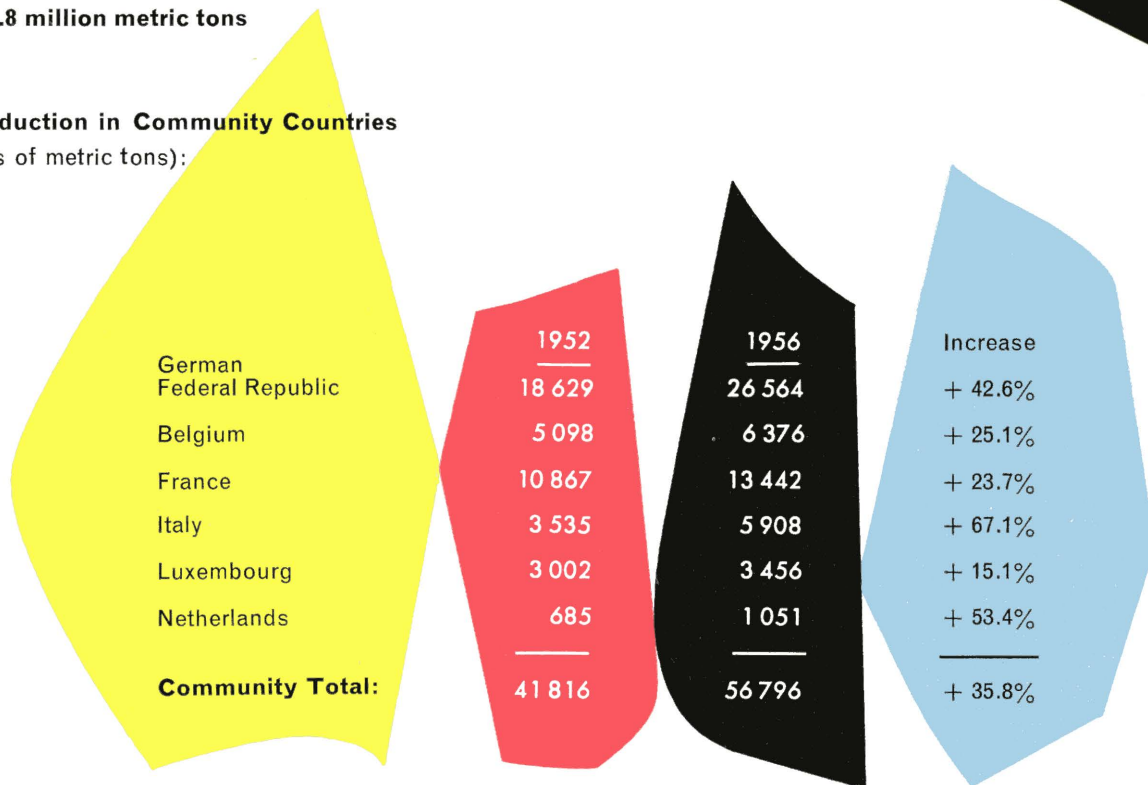
In the Community, steel consumption is at present running at something like 8 cwt. per head per annum; this compares with 12 cwt. in the United States, whose per capita consumption of steel is rising all the time. There is thus considerable scope for future expansion.

Community steel production has been increasing faster than world production.

The outstanding development since the introduction of the Common Market has been the **increase of 36% in the steel production of the Community:**

1952 41.8 million metric tons
1956 56.8 million metric tons

Steel Production in Community Countries (thousands of metric tons):





The Community's Steel-Producing Areas Production in 1956
 (in millions of metric tons)

World Steel Production rose between 1951¹⁾ and 1956 from 211 million to 283 million metric tons, *i.e.* by

34%

Community steel production increased during the same period from 37.7 million to 56.8 million metric tons, *i.e.* by over

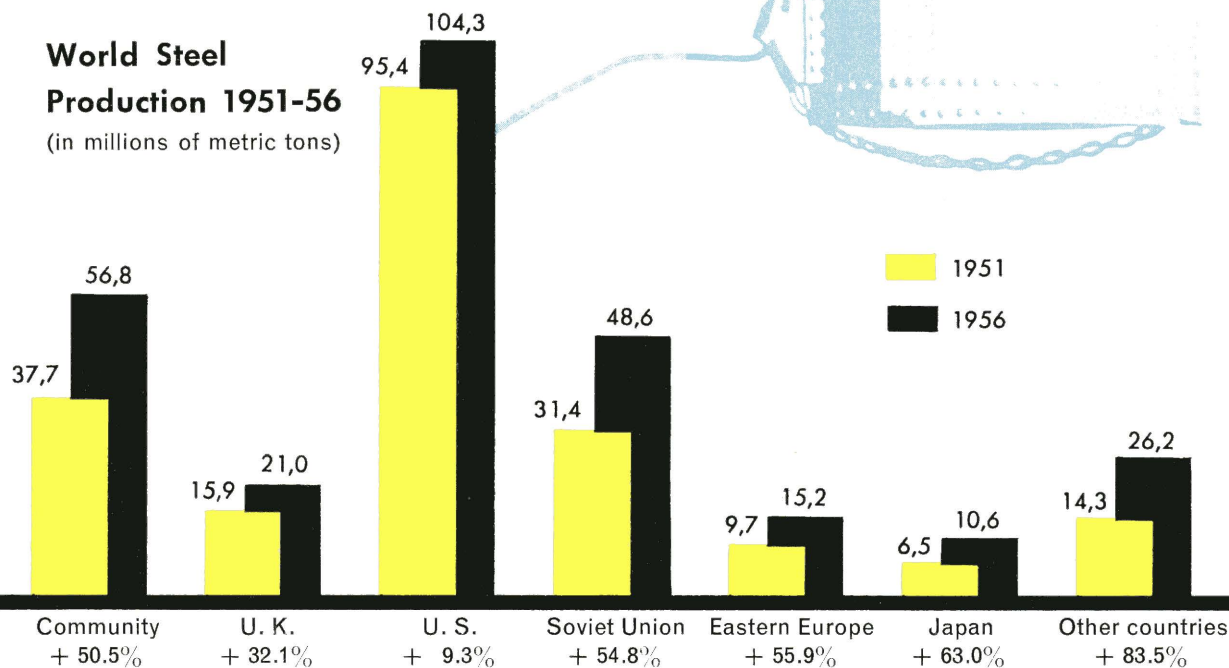
50%.

Thus the Community's share in world production, which had gone steadily down from 1929 to 1951, has since then shown a substantial rise. This is all the more remarkable since world production itself has been expanding very rapidly, and the increasing number of new production areas is bound to curtail the proportion of world production coming from the older producing countries.

Moreover, the Community's steel output has been increasing faster than that of either Great Britain or the United States, and very nearly as fast as the production of the Soviet Union and the Eastern bloc.

¹⁾ 1951 was selected as the reference year in this instance because the figures for 1952 were affected by the strike of American steelworkers in that year, and those for 1953 by the mild recession which occurred in the Community.

World Steel Production 1951-56 (in millions of metric tons)



The Major Steel Producers — their Share in World Output

	Community	U. K.	U. S.	Soviet Union	Eastern Europe	Japan	Other countries
1951	17,9%	7,5%	45,2%	14,9%	4,6	3,1	6,8%
1956	20,1%	7,4%	36,9%	17,2%	5,4%	3,7	9,3%

Higher Productivity

Between 1952 and 1956 the number of workers employed in the iron and steel industry of the Community increased from 430,600 to 444,300 *i.e.* by not much more than

3%,

whereas production increased by 36%. The increase in production per man may therefore be put at something like

30%.

Even if this figure cannot claim absolute accuracy, it shows that productivity has risen faster in the iron and steel industry than in the manufacturing industries of the Community countries, where the increase over the same period was some

20%.



Marked Expansion of Trade in Steel

Trade in iron and steel products between Community countries has increased since the introduction of the Common Market by

140%

rising from 2.1 million metric tons in 1952 to 5.1 million in 1956. Indeed, in 1955 it rose to 5.7 million metric tons.

Where the Steel Came From

Supplying country	1952	1956
	'000 metric tons	
Belgium/Luxembourg	1,254	2,210
France with Saar	481	1,608
German Federal Republic	302	918
Italy	3	49
Netherlands	68	289
Community Total:	<u>2,108</u>	<u>5,074</u>

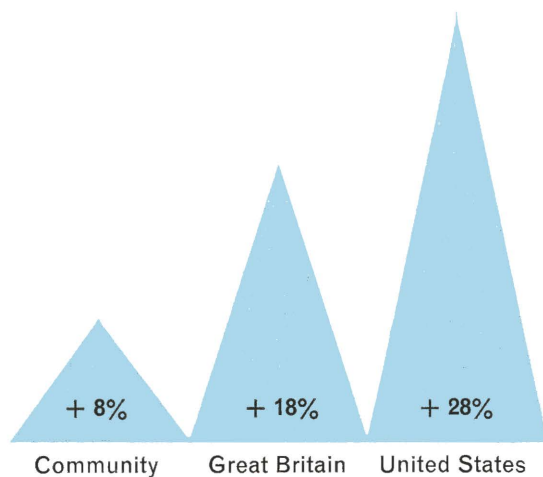
Where the Steel Went To

Country of destination	1952	1956
	'000 metric tons	
Belgium/Luxembourg	212	530
France with Saar	28	901
German Federal Republic	786	2,002
Italy	323	422
Netherlands	759	1,219
Community Total:	<u>2,108</u>	<u>5,074</u>

Price Stability

Steel prices in the Community, which have been free since the introduction of the Common Market, have shown a remarkable stability in spite of the increasing strain on supplies. The increases which did occur in 1956 were not nearly as great as the violent leaps in prices observed during previous boom periods. Comparison with price trends in Britain and the United States works out much in the Community's favour.

To take a standard basic product, the trend of **home prices of merchant bars** in these three producing areas **since May 1953** (when the Common Market for steel was introduced) was as shown below:



The High Authority does not claim that all the credit for this astonishing progress is due to the Common Market. During these first few years of the Community's existence there was only one brief recession, from 1953 to 1954. Production in general in Europe was expanding as never before.

There can be no doubt, however, that the Common Market contributed to the expansion in steel production by assuring a more regular flow of coal supplies, a greater and more stable trade in iron ore between member countries, a common policy for scrap imports, and the reduction of international transport costs by means of direct through-rates. In addition, it helped to stop the deepening of the 1953–1954 recession since new markets (in Germany and Italy) were now available to those countries (France and Belgium) which were hardest hit by the decline in orders.

TRANSPORT PROBLEMS IN THE COMMON MARKET

The object of the Common Market is to "assure the most rational distribution of production at the highest possible level of productivity." This presupposes rational selection of suppliers by consumers. The consumer makes his choice after comparing the delivered prices (prices ex-works or ex-mine plus transport charges from door to door) of the various Community producers' products. All **discriminations** in transport serve to distort conditions of competition, since they push up the delivered prices for certain consumers, particularly those in other Community countries, and push them down for others.

With bulk commodities such as coal, iron ore, and steel, the incidence of transport charges is very high, amounting for some consumers to as much as 50% of the delivered prices.

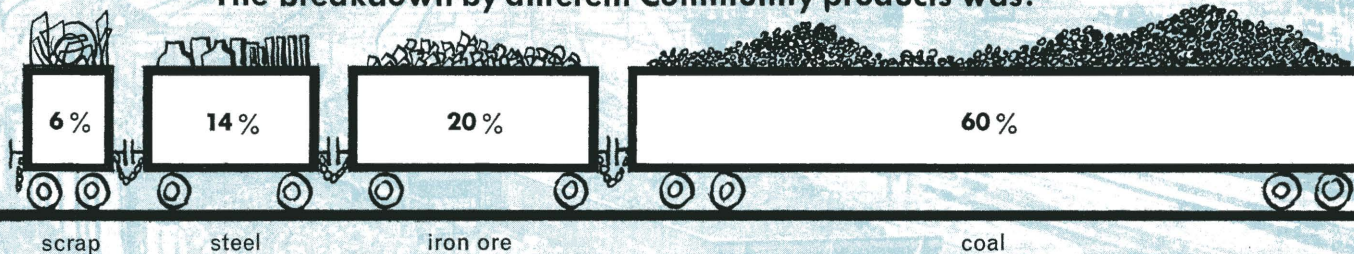
The Importance of Transport Charges in the Common Market

In the second quarter of 1956 the total amount of Community products carried by inland transport (excluding road transport)¹ was something like 100 million metric tons. These were carried

78% by rail,
22% by inland water transport.

¹ No statistics are as yet available for road haulage

The breakdown by different Community products was:



Traffic in Community products accounted for close on

50%

of the total goods traffic on the railways of the six countries, and for about

40%

of the total tonnage carried by inland waterway.

On the Railways

the most glaring discriminations in the rates and conditions of carriage were abolished for Community products immediately after the introduction of the Common Market.

But in rail transport between one country and another there was still another factor which impeded competition, namely the

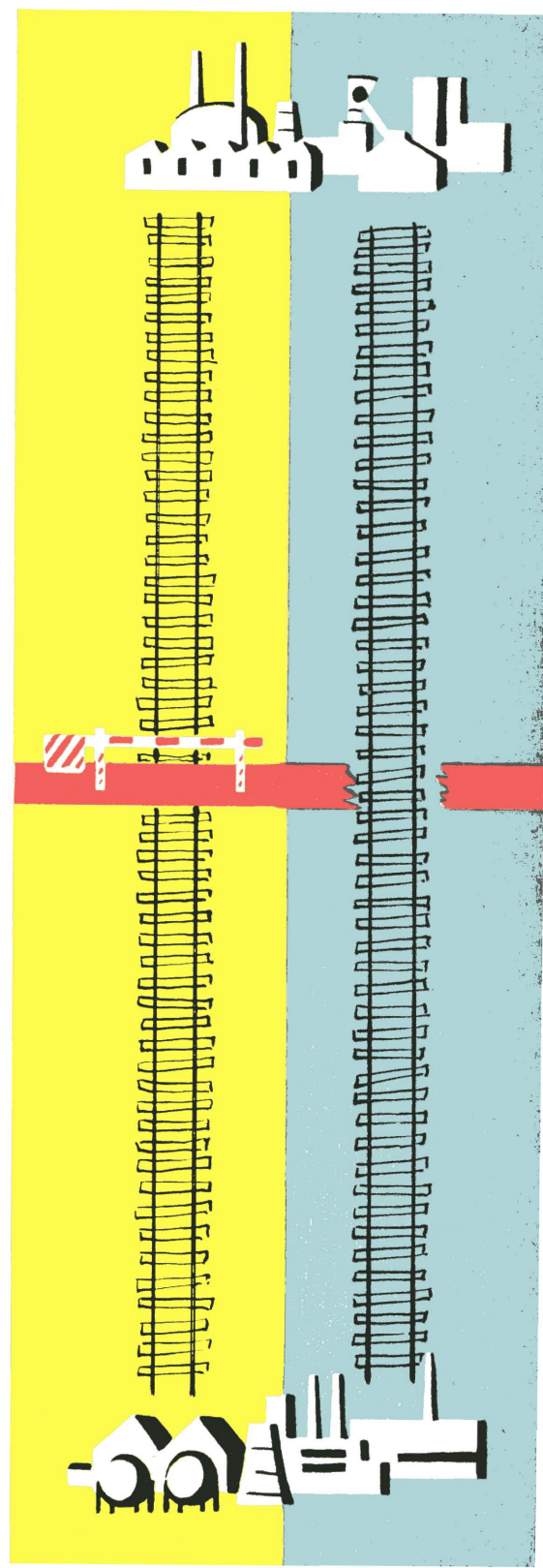
break in rates

operating at each frontier to be crossed. The system was that, while in internal transport the rate charged per ton per kilometre decreased in proportion to the distance covered, these so-called "tapering rates" came to an end at the frontier, and the railway authorities of the next country along the route charged rates which started again at the maximum figure, as if the journey began again at the frontier. In addition, whereas in internal transport the only **handling charge** made was at the despatching and receiving stations, in international transport the railway authorities of both countries concerned, as well as of countries crossed in transit, used to collect a terminal charge for a purely theoretical unloading and reloading at the frontier station — even when the train did not stop. This meant a considerable increase in transport costs, and consequently in delivered prices, for Community products despatched over comparable distances to consumers in other Community countries.

In accordance with the Treaty, this distorting factor was eliminated for Common Market products by the introduction of **international rail through-rates**.

That is, the rates now charged fall, or "taper", as in internal carriage, in proportion to **the total distance covered, irrespective of any national frontiers crossed: they are calculated for the total mileage, and the terminal charges are no longer collected at frontiers en route.**

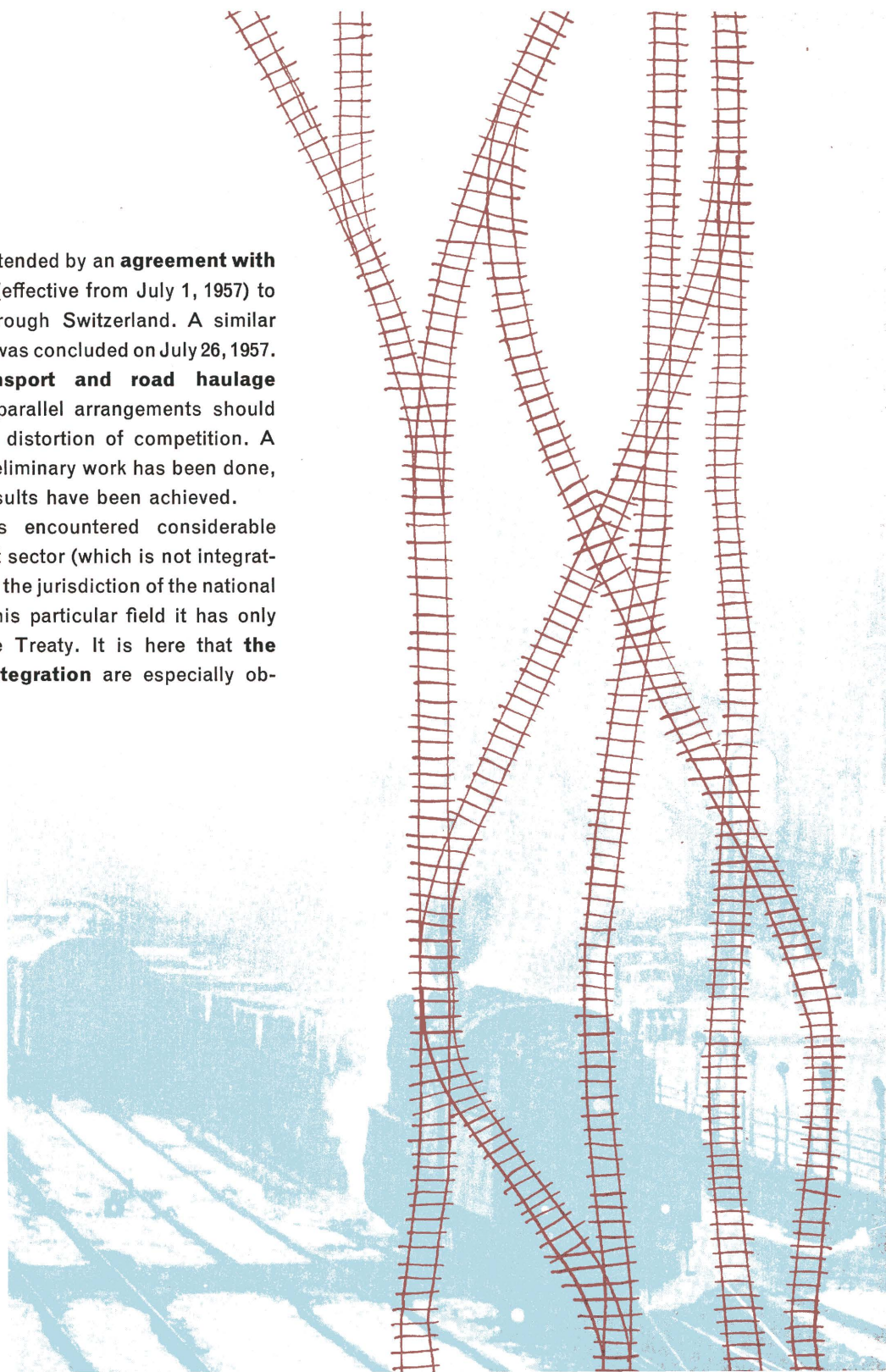
This arrangement was introduced in three stages, beginning on May 1, 1955. It has been fully operative since **May 1, 1957.**



The main aim in abolishing discriminations in freight-rates and introducing international through-rates for Community products was to establish **equal conditions of competition**. A further result has, however, been **a considerable reduction in transport costs** on a number of major international routes. Some examples are given below:

	RAIL FREIGHT RATE		REDUCTION
	January 1, 1953	May 1, 1957	
COKE Gelsenkirchen (Ruhr) — Homecourt (Lorraine)	DM 27.60	DM 20.10	— 27%
HARD COAL Reden (Saar) — Regensburg (Bavaria)	Ffr. 3.187	Ffr. 2.341	— 27%
IRON ORE Sancy (Lorraine) — Ougree Marihay (Belgium)	Ffr. 850	Ffr. 634	— 25%
SCRAP Lyons — Turin	Ffr. 2.149	Ffr. 1.795	— 17%
ROLLED PRODUCTS Oberhausen (Rhineland) — Paris	DM 56.20	DM 46.30	— 18%
Luxembourg — Rotterdam	Bfr. 470	Bfr. 411	— 13%

The through-rates were extended by an **agreement with the Swiss Government** (effective from July 1, 1957) to cover goods in transit through Switzerland. A similar **agreement with Austria** was concluded on July 26, 1957. **For inland water transport and road haulage** the Treaty requires that parallel arrangements should be made to eliminate the distortion of competition. A good deal of important preliminary work has been done, but so far no concrete results have been achieved. The High Authority has encountered considerable difficulties in the transport sector (which is not integrated, but has been left under the jurisdiction of the national Governments), since in this particular field it has only limited powers under the Treaty. It is here that **the limitations of partial integration** are especially obvious.

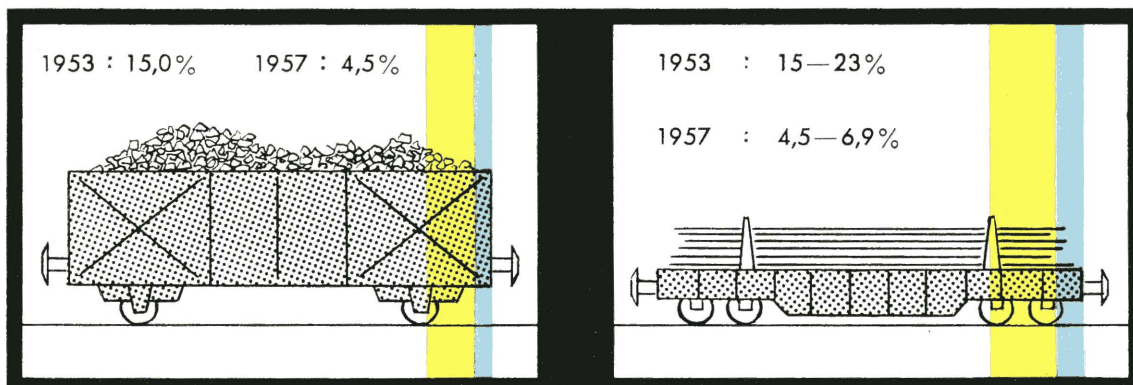


PROBLEMS OF THE TRANSITION PERIOD

The most difficult problems raised by economic integration are those concerned with the transition from separate national economies to a single unified system. This is why the Treaty provides for a **transition period** of five years, to permit gradual adjustment to the unified system, and thereby to prevent serious disturbance to the economies of individual countries or areas. These special provisions expire on February 9, 1958.

Step by step, a number of arrangements and measures incompatible with the Common Market have been abolished, including various State subsidies, zone-delivered prices, and so on.

Owing to the special situation of the **Italian iron and steel industry and coking-plants**, Italy was exempted from the obligation to abolish all Customs duties, and was allowed temporarily to retain import duties on coke and steel products from other Community countries. But these have since then been successively lowered.



Italian duties on coke

Italian duties on ordinary steels

At the end of the transition period, these duties will be removed altogether.

A Major Sign of European Solidarity

is the integration of the Belgian and Italian coal industries in the Common Market.

One of the most important of the Treaty's transitional provisions is the one that set up a **compensation scheme for Belgian coal**, whose price was very much higher at the start of the Common Market than the average for the other Community countries. If Belgian coal was to be fully integrated in the Common Market at the end of the transition period, it was realised that a considerable amount of modernization and reorganization would be necessary. However, to enable the Belgian collieries to market their coal before that date at prices based on their probable production costs at the end of the transition period, they were allotted funds raised by a **special levy** on coal produced in Germany and the Netherlands, where production costs at the start of the Common Market were below the weighted average for Community coalfields as a whole. Out of the proceeds of this levy, a total sum of

\$ 41 million

was paid to the Belgian coalmining industry between the introduction of the Common Market and the end of 1956. Under the Treaty, the Belgian Government was required to pay subsidies at least equal in amount to the High Authority's payments. In actual fact, it paid more than

\$ 100 million.

Compensation levy for coal (in thousands of dollars)

Mines	1953 ¹⁾	1954	1955	1956	Total
German	9 352	15 010	12 670	9 475	46 507
Dutch	864	1 197	1 224	930	4 215
Total	10 216	16 207	13 894	10 405	50 722

¹⁾ From March 15, 1953

Owing to changes in the costs and receipts of the various Belgian collieries, the High Authority has several times reorganized the compensation scheme to ensure that the funds from the levy were employed in the most rational manner. **At the end of 1956 the Belgian collieries were graded in three groups as follows:**

GROUP 1: Firms which from January 1, 1957, would be in a position to charge the selling prices fixed by the High Authority without financial assistance. **Compensation payments to these enterprises were discontinued from January 1, 1957.**

GROUP 2: Firms with a chance of becoming competitive in the Common Market by the end of the transition period. **It was decided to concentrate the proceeds of the levy on this group up to the end of the transition period.**

GROUP 3: Firms with no chance of becoming competitive in the Common Market by the end of the transition period. **Payments to this group were discontinued from February 9, 1957.**

This compensation scheme is supplemented by **measures of financial reconstruction and reorganization**, introduced by the Belgian Government at the request of the High Authority. Their aim is to see that the various re-equipment programmes are satisfactorily financed and carried out, to encourage a more rational layout of the workings, and to use productive capacity to the best advantage.

Four collieries in the **Borinage** coalfield are covered by a special arrangement: those of their pits which are deemed to be economically workable are to be overhauled and reorganized, and the others, whose working cannot be satisfactorily improved, are gradually to be closed down. One such pit was closed in July 1956, a second in December, and a third in January 1957. The remainder are to be closed by the end of 1958.

The High Authority has stated that it is prepared to meet the whole cost of “**readaptation**” for workers discharged under this shutdown programme.

Partly as a result of this reorganization of the Belgian coalmining industry, underground output per man-shift has gone up from 1,051 kg. (just over 1 ton) in 1952 to 1,160 kg. (just under 1 ton 3 cwt.) in 1956. But this has not improved the position of the Belgium industry in relation to the rest of the Community, partly because output has gone up in the other coalfields too, but more particularly because the collieries’ production costs have risen more steeply in Belgium than elsewhere. The High Authority has therefore warned the Belgian Government that the industry will have many problems to face, even after the end of the transition period, if every effort is not made by the collieries in Group 2 to improve their position. Much the same measures as were introduced for the Belgian coalmining industry were also applied

to the **Italian coalmines at Sulcis, Sardinia**, to enable them to withstand competition in the Common Market until the financial reconstruction and reorganization scheme now in progress has been completed.

By the end of 1956 these collieries had been paid a total of

\$ 6,500,000

out of the special levy, together with an equal amount from the Italian Government.

The reconstruction and reorganization plan for this coalfield is being put through in accordance with High Authority directives, and includes re-grouping of underground workings, mechanization, concentration on certain pits and the elimination of all non-essential activities.

As a result of these measures, underground output has risen considerably, and operating losses have been sharply reduced.

The High Authority and the Italian Government have drawn up a large-scale programme for “re-adaptation” of the workers laid off in the course of the reorganization.



A GLANCE INTO THE FUTURE

The General Objectives of the Community

The High Authority's attention is not concentrated purely on current market developments. It is not called upon simply to play the part of a policeman on point-duty, seeing that the "traffic" proceeds smoothly in accordance with the established rules. Disturbances in the market, gluts and shortages, are frequently signs of a lack of balance in long-term economic development. The High Authority has therefore to look to the future, to the **orderly long-term development of the Common Market.**

Its starting-points in this task are the **General Objectives** for "modernization, the long-term planning of production and the expansion of production capacity", which the Treaty specifies that the High Authority must publish at regular intervals.

These General Objectives, however, are not in any sense a "plan" for a controlled or centralized economy. They offer

to the enterprises of the Community

a survey of long-term trends in demand within the Community, such as no individual firm could possibly obtain for itself, supplying the necessary background information for the enterprises' investment policy,

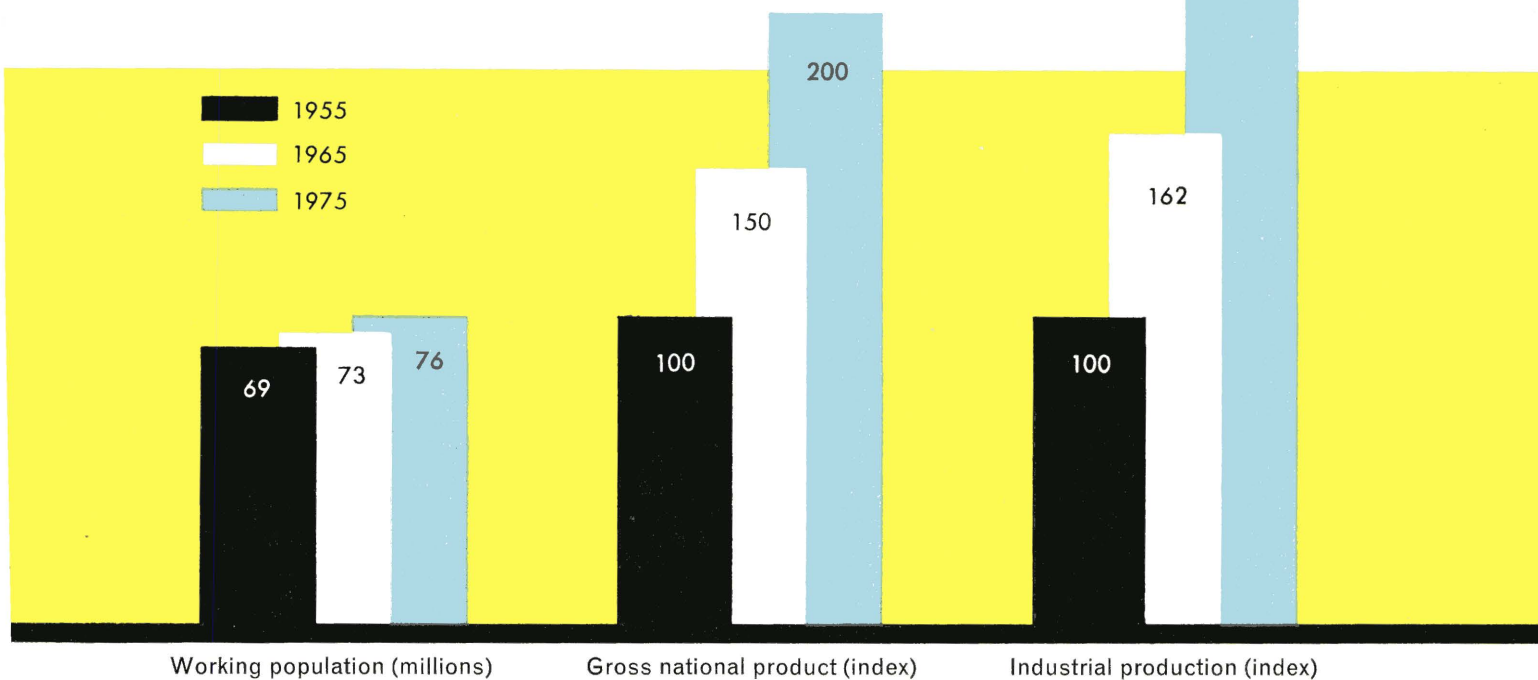
and to the High Authority

a basis for the opinions which it issues on enterprises' investment projects, and a guide for its loan policy.

After a first survey, published in July 1955, the High Authority incorporated in its Fifth General Report a set of General Objectives covering the next twenty years.

The Basis

adopted for estimating future trends in coal and steel requirements was the probable development of **population, gross national product, and industrial production** in the Community countries.



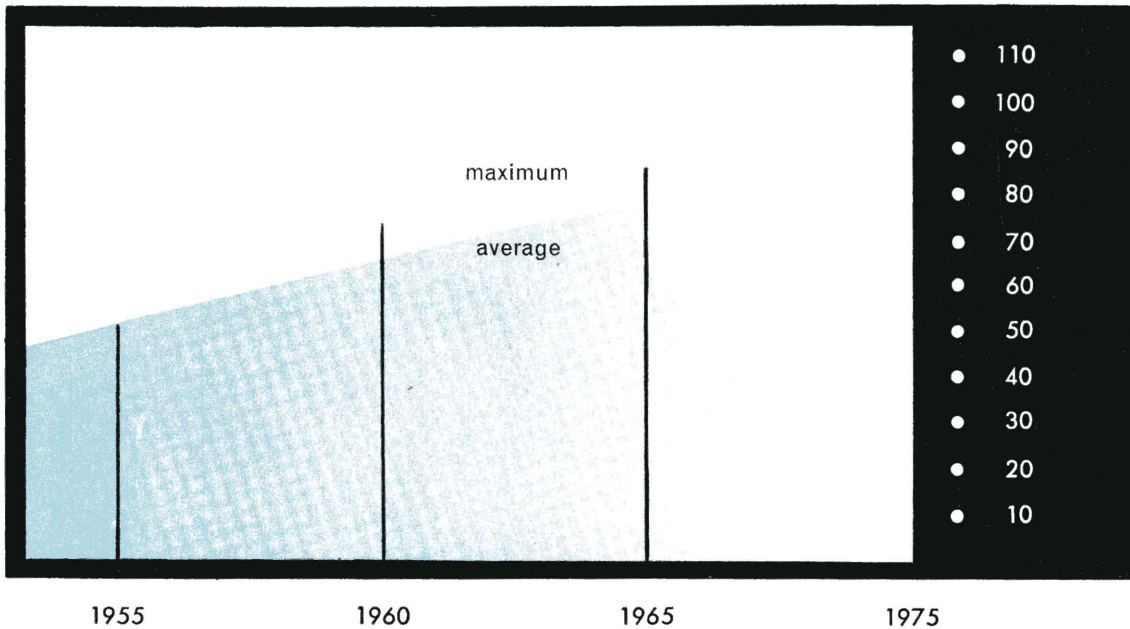
This means: Working population up by 10%
 Gross national product up by 100%
 Industrial production up by. 124%

The High Authority predicts

that over the next twenty years steel and coal requirements in the Community will increase as follows:



Steel requirements in millions of metric tons



Since the productive capacity of the iron and steel industry must on no account be allowed to become a bottleneck in general economic expansion, all estimates of the required expansion of productive capacity must be based on maximum requirements.

Thus the targets are

73.5 million metric tons in 1960

86.0 million metric tons in 1965

To reach these targets three lines of action will be required:

Scrap consumption —

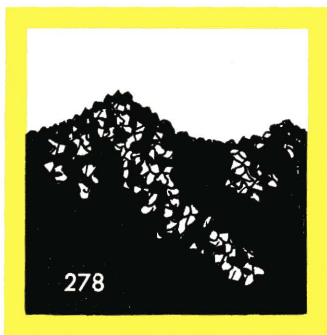
the reduction of scrap consumption in steel production;
the expansion of pig-iron production capacity;
the raising of pig-iron consumption;
and
the greater use of processes for producing steel from pig-iron (oxygen-blowing, Linz-Donawitz process, Per-rin process).

Iron-ore supply —

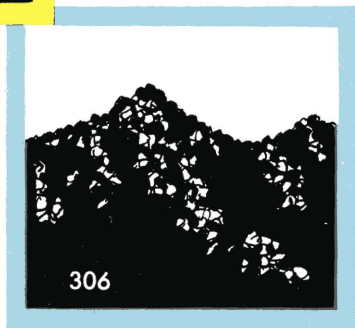
Iron ore is likely to be in short supply from 1960 onwards. This will necessitate:
the conclusion of long-term contracts for imports from third countries;
the working of hitherto neglected deposits in Western France;
the raising of Lorraine production to 63.2 million metric tons a year by 1960;
the working of deposits recently discovered in Lower Saxony; and
the opening-up of deposits in Africa.

Coke supply —

reduction of coke input ratio in the blast-furnaces by enrichment of the burden (beneficiation of ore, improved ore preparation);
development of new technical methods (extraction of iron without using metallurgical coke).



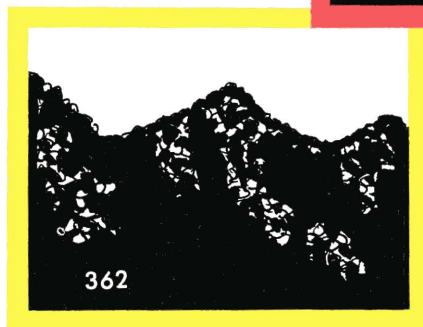
1955



1960



1965



1975

Coal Requirements:

in millions of metric tons

Production depends, of course, on the extent of the hard-coal reserves available. In many coalfields it is no longer possible greatly to increase production. This is true of

- Lower Saxony
- Dutch Limburg
- Southern Belgium
- Northern France
- Central and Southern France

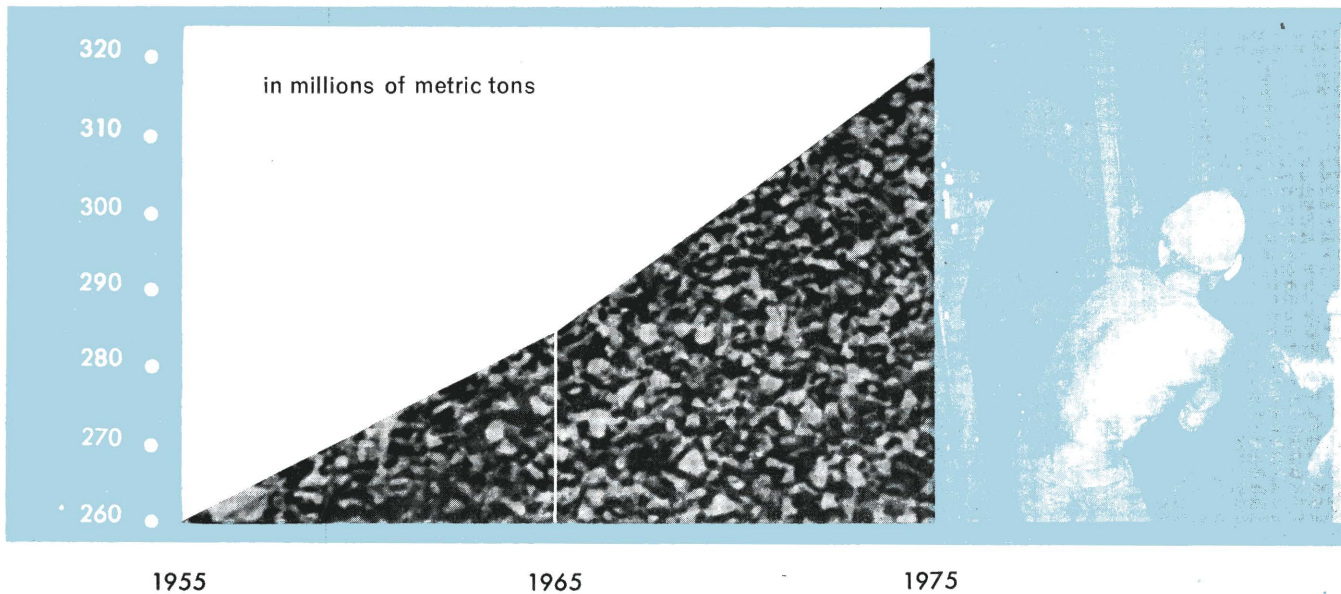
The total production potential of these coalfields can perhaps be increased by another 2—3 million metric tons by 1975.

In certain other coalfields, however, there is still considerable scope for expanding production capacity. These include

- the Ruhr
- the Saar
- Lorraine
- the Campine, Belgium
- Aachen, Germany

The production potential of these coalfields can be increased by 1975 by some 68 million metric tons.

The objective is to increase the production potential of the Community:



To reach these targets, three main lines of action will again be necessary:

Deposits:

the sinking of new pits;
better use of existing capacity;
the linking-up of existing pits to deposits not yet worked.

Manpower:

rapid expansion of the underground labour force;
the raising of underground output by one-third by 1975.

Guidance of demand and improvement of collieries' earning capacity:

the reduction of collieries' own consumption of coal;
an increase of coking capacity from 70 million metric tons in 1955 to 88 million in 1960;
use of additional grades of coal for coking purposes, by suitable methods of dressing and mixing;
an increase in production of substitute fuels, in order to limit the demand for coke from the household sector;
the development of processes for the full gasification of coal;
economies in the washing and dressing of coal;
increased use of low-grade coal for generating electric current;
the development of coal usage in chemical manufacture.

Coal and Energy

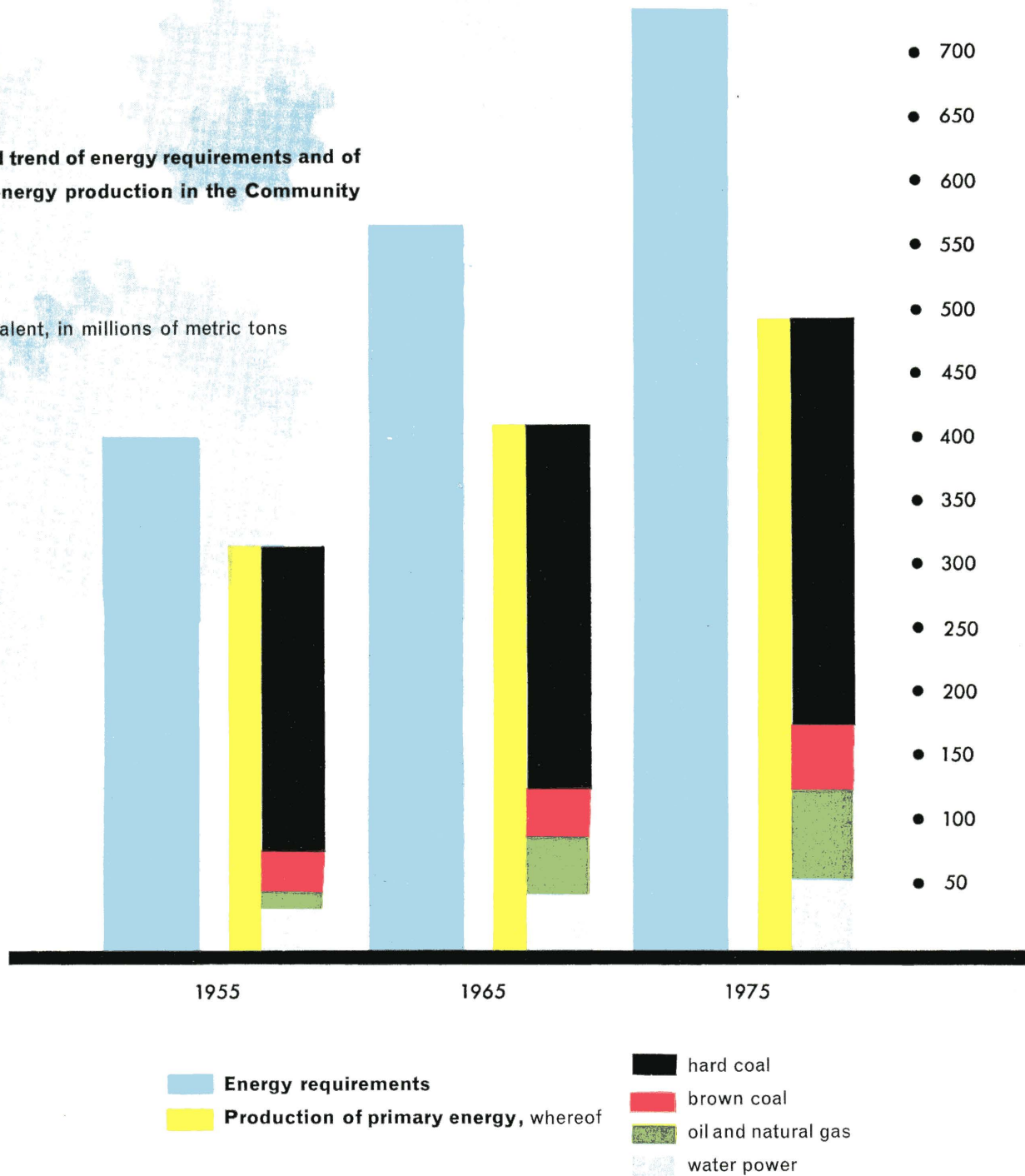
A comparison of the trend of coal requirements with that of production potential makes it clear that the Community will in the years to come still be largely dependent on imports. Even if production potential is used to the full, it will still be necessary in 1975 to **import** more than

40 million tons of coal.

Even in 1975 more than one-half of the Community's energy requirements will still have to be covered by coal.

Estimated trend of energy requirements and of primary energy production in the Community countries

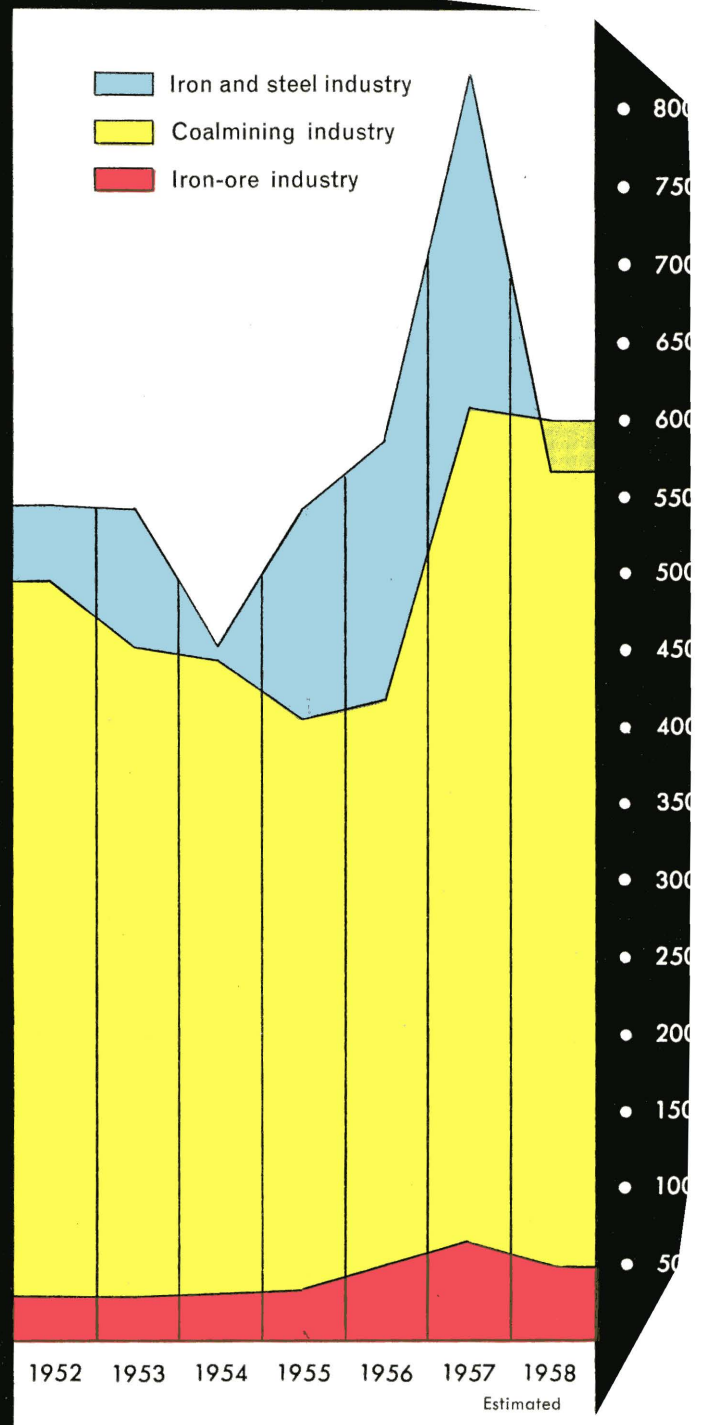
coal equivalent, in millions of metric tons



INVESTMENTS IN THE COMMON MARKET

The attainment of the General Objectives depends largely on the trend of investment in the industries of the Community. Investments are still the responsibility of the enterprises themselves, but the High Authority has used the means at its disposal to ensure that they conform with the General Objectives.

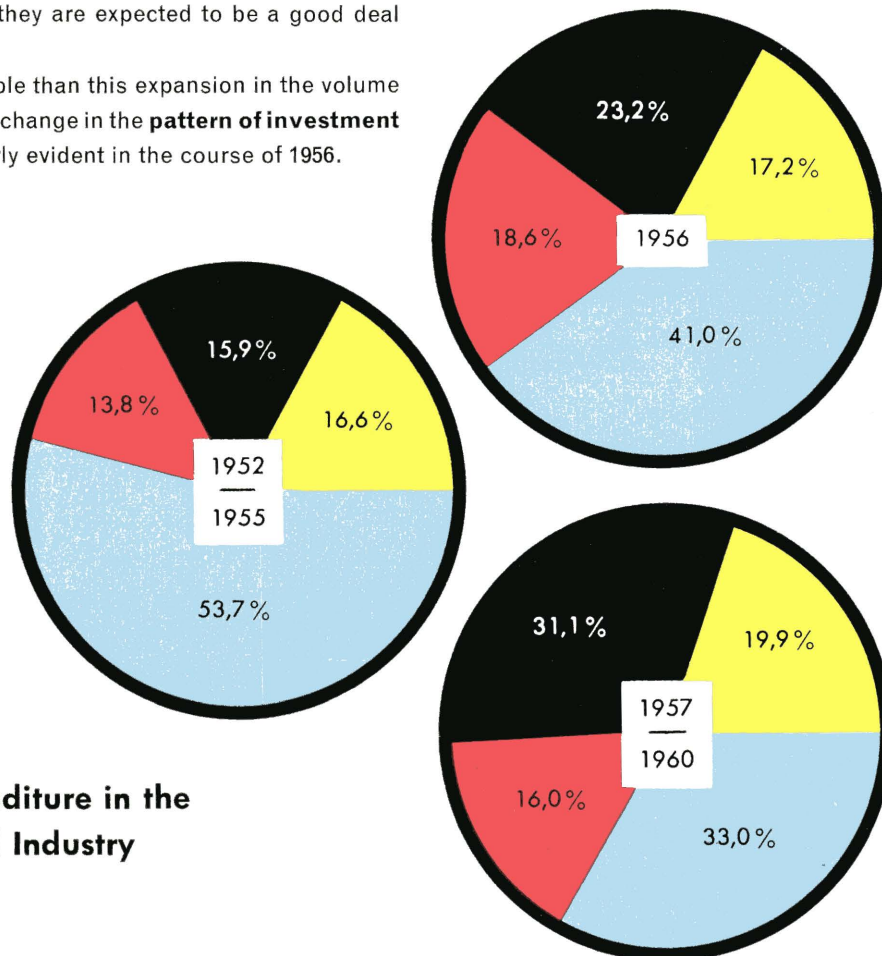
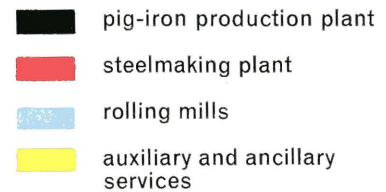
**Trend of Capital Expenditure
(in millions of dollars)**



In the Iron and Steel Industry

investments between 1952 and 1955 amounted to about \$550 million per annum, except in 1954, when they dropped to \$450 million as a result of the slight recession. In 1956, they totalled close on \$600 million, and during the next few years they are expected to be a good deal higher still.

Even more remarkable than this expansion in the volume of investment is the change in the **pattern of investment** which became clearly evident in the course of 1956.



Capital Expenditure in the Iron and Steel Industry

The proportion of total expenditure represented by investment in pig-iron production plant will thus be very nearly doubled. The increase in expenditure on steelmaking plant is primarily for installations producing steel from pig-iron.

This shift in investments is in line with the **General Objectives**, which firmly stress the need to limit scrap consumption by increasing the use of pig-iron.

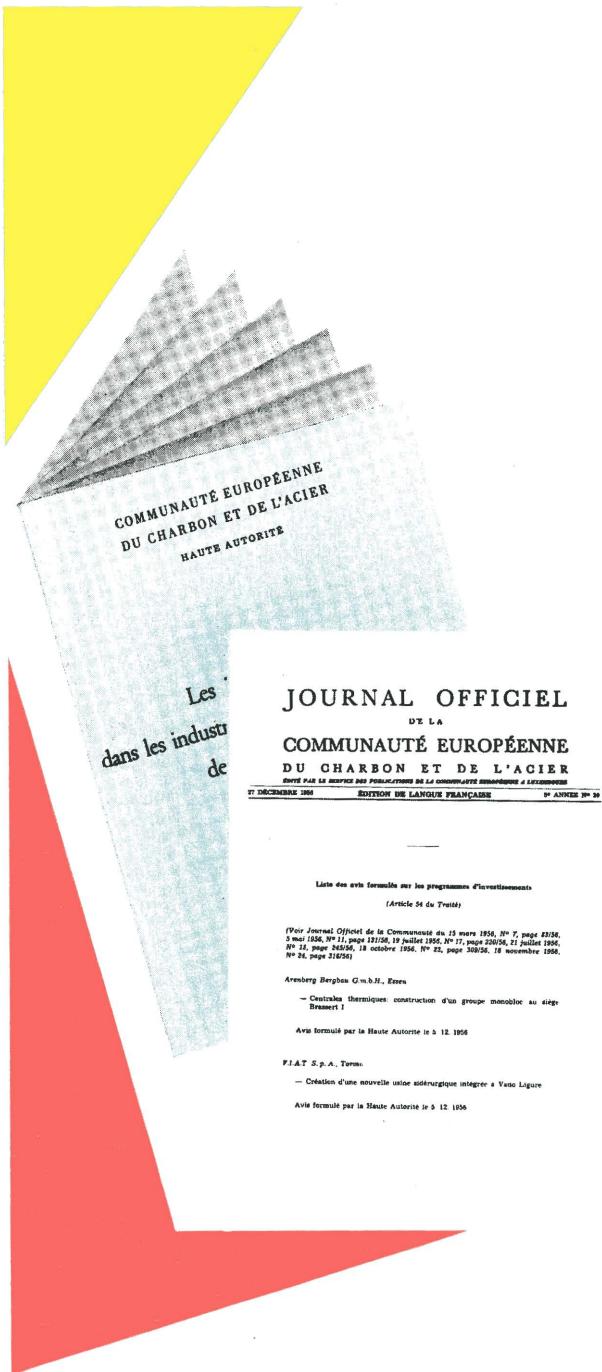
By means of its investment policy, the High Authority has been largely instrumental in ensuring that firms take account of this need when drawing up their investment programmes.

In the coalmining industry

great efforts have been made since the end of the war to overhaul and modernize installations. Nevertheless, capital expenditure fell between 1952 and 1955 from about \$ 500 million to approximately \$ 400 million a year. In 1956, however, an upward trend began.

Investment in pits remained remarkably steady from 1952 to 1956, at some \$ 250 million per annum. It is expected to go up to about \$ 350 million in 1957 and 1958.

This rise is not sufficient, however: **the increases in production which are expected to result go only a little way towards meeting the requirements set forth in the General Objectives. This is a major problem for the Community.**



Guidance by the High Authority

The High Authority helps to guide investments in three ways.

1. Annual surveys of investments

The results of the High Authority's annual investment surveys are publicized as widely as possible. All Community enterprises are thus enabled to see their own capital projects in relation to all investments completed and planned in the Common Market as a whole.

In its latest survey the High Authority particularly stresses that "there is a disparity between the development of steel production capacity and that of the requisite raw materials, which runs right back through the various production stages: a lack of balance between pig-iron and steel, between coke and pig-iron, and between coal and coke".

Liste des avis formulés sur les programmes d'investissement
(Article 54 du Traité)

(Voir Journal Officiel de la Communauté du 15 mars 1956, N° 7, page 2234;
5 mai 1956, N° 21, page 22738; 19 juillet 1956, N° 77, page 23054; 21 juillet 1956,
N° 21, page 24256; 18 octobre 1956, N° 21, page 25056; 18 novembre 1956,
N° 24, page 21656)

Arensberg Bergbau G.m.b.H., Essen

— Construction thermique construction d'un groupe monocote au siège
Dresner!

Avis formulé par la Haute Autorité le 5 12 1956

F.I.A.T. S.p.A., Turin

— Création d'une nouvelle usine sidérurgique intégrée à Yano Liguro

Avis formulé par la Haute Autorité le 5 12 1956

2. Opinions on investment projects declared

Since September 1, 1955, Community firms have been obliged to declare their investment projects to the High Authority before putting them into operation. The High Authority examines the projects to see whether they are in conformity with the General Objectives, and may issue official opinions on them.

Lists of the opinions thus issued are published in the **Official Gazette of the Community**. Potential lenders, such as bankers, can then apply to the enterprise concerned for full details of the opinion in question.

Between September 1, 1955, and March 31, 1957, the High Authority received **193 investment declarations relating to 309 projects, involving a total expenditure of \$1,300 million.**

The details of the projects themselves and the trend in investment generally, particularly in the iron and steel industry, indicate that the enterprises of the Community have on the whole been acting along the lines suggested by the High Authority.

In a number of instances, however, the High Authority has had to issue negative opinions,

in order to dissuade firms from embarking on projects which were in conflict with the General Objectives.

3. Financing of investments

The High Authority can facilitate the carrying-out of investment programmes by granting loans to enterprises. In order to pursue an active investment policy of this kind, the High Authority itself had first to establish the necessary credit, so as to be able to raise loans on the capital markets on better terms than the Community's enterprises would be in a position to secure. The Treaty empowers it to impose

a levy

on the coal and steel production of the Community. This first "**European tax**" (which has been gradually reduced from 0.9% to 0.35% of the value of coal and steel production) has up to the end of 1956 brought in a total of approximately **\$ 174 million.**

To this should be added a further sum of something like \$8 million representing interest on bank deposits, fines, etc.

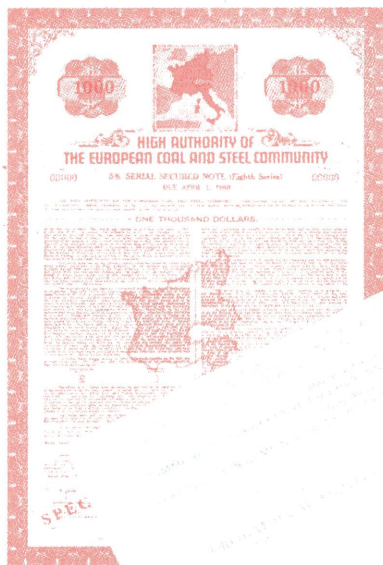
The major part of this total revenue of approximately **\$182 million** has been used to build up **a fund of \$100 million to guarantee loans raised by the High Authority.**



President René MAYER and Herr Heinz POTTHOFF, Member of the High Authority, in New York at the signature of an agreement with a group of American bankers on the floating of a \$ 35 million loan.

The remaining \$82 million were allocated partly to meet the administrative expenses of the Community's institutions, and partly to set up **special funds for technical research, workers' housing and, in particular, the re-adaptation of workers who have to change their jobs.**

On the basis of the credit which it established by setting up its Guarantee Fund, the High Authority has been able to raise a number of **loans**, viz.:



	\$ millions
1954 United States	100
1955 Belgium	4
1955 Germany	6
1955 Germany	6
1955 Luxembourg	0.5
1956 Saar	1
1956 Switzerland	11.6
1957 United States	35
Total:	164.1

The proceeds of these loans, together with some \$ 8 million from the High Authority's own funds—*i. e.*

\$ 172 million

in all — were made available to Community enterprises in the form of long-term credits for the **financing of capital investment regarded as in line with the General Objectives.**

The **total value of the investment projects thus assisted by the High Authority** is in the neighbourhood of

\$ 720 million.

The rate of interest charged by the High Authority on its advances averaged slightly over 4%, which is considerably lower than the rates usually charged in the Community countries.

In addition to these loans, the Community has enabled enterprises to obtain, from banks with which the loan guarantee fund is deposited, **medium-term credits** to the value of approximately

\$ 44 million,

at rates of interest comparatively low by European standards (4.5—5.2%).

Altogether, therefore, the existence of the Community has helped to make available to firms, directly or indirectly, something like

\$ 216 million

in the short space of four years since the introduction of the Common Market.

LABOUR POLICY

The introduction of a Common Market and the advancement of technical progress are not ends in themselves. In the last analysis they are merely the prerequisite for bettering the life of man, not only **as a consumer**, by means of cheaper, better, and more abundant supplies, but also **as a worker, by means of more effective safeguards and better living and working conditions.**

This sense of the close connection between the Community's economic and social aims inspires all the High Authority's work. On the one hand, social progress is conditioned by economic progress: only through what the Treaty calls "more rational distribution of production at a higher level of productivity" is it possible to ensure a lasting improvement in living conditions. But, conversely, it is equally true that economic progress is determined by social progress. Terms of employment, vocational training, and industrial safety are essential factors in any rise in productivity; higher incomes for the workers create the necessary market for the products whose output has gone up.

In the past, the big industrial changes set in motion by technical and economic progress were often accompanied by widespread unemployment and a sharp fall in wages, so that the immediate brunt of adjustment to a new situation had largely to be borne by the workers. The High Authority is able not only to lessen the shock of modernization in the coal and steel industry by means of long-term planning, but also by means of an effective

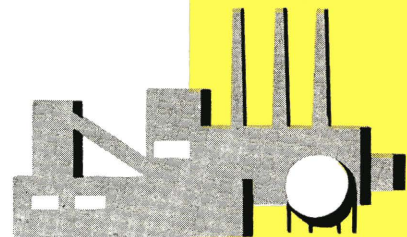
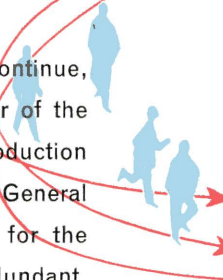
readaptation

policy to protect Community workers against some of the results of these changes.

When Community enterprises are forced to discontinue, restrict, or alter their activity as a result either of the opening of the Common Market or of the introduction of new technical processes in conformity with the General Objectives, the High Authority must arrange for the "readaptation" of any workers who become redundant.

Readaptation measures include:

- payment of allowances to redundant workers to tide them over until they find new employment;
- payments to enterprises to enable them to compensate their personnel for temporary layoffs;
- payment of allowances to workers who have to move house in order to take up new jobs (e. g. removal and travel expenses);
- financing of retraining;
- financing of projects for creating new jobs in Community industries or even in industries outside those covered by the Treaty.



By the end of 1956 the High Authority had built up out of the proceeds of the levy a special readaptation fund of

\$ 22 million.

Payments from this fund for definite readaptation schemes totalled

\$ 10.6 million.

They included:

**to the coalmining
industry**

in Belgium	\$ 1,400,000
in France	\$ 1,657,000
in Italy	\$ 1,107,000

**to the iron-ore
industry**

in France	\$ 55,000
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**to the iron and
steel industry**

in France	\$ 751,000
in Italy	\$ 5,600,000

An application has also been received by the High Authority for assistance in the readaptation of miners in the Lower Saxony coalfield, Germany.

So far, the operation of the Common Market for coal and steel has not led to large-scale shutdowns. Such shutdowns as there have been have affected a comparatively small number of workers. The High Authority's readaptation schemes have eased the process and cushioned its impact. For a general Common Market, the Community's experience of readaptation provides

one highly instructive lesson:

In a vigorously-expanding economy, it is possible to avoid major shifts in production. Differences in the degree of efficiency between one enterprise and another are reflected not so much in diminished activity on the part of particular firms, or in large-scale readaptation, but rather in the different share of the overall expansion which each firm manages to enjoy.

Better Living and Working Conditions

The Treaty requires the High Authority to work, in co-operation with the other institutions of the Community, to improve the living and working conditions of the Community's miners and steelworkers.

Movement of Wages

In the coalmining industry, real wages per shift underground rose from 1953 to 1956 by

25—30%

Underground output per man-shift rose during the same period by about 10%. The increase in wages was thus not only higher than the increase in output, but higher than the average increase in productivity in manufacturing industry as a whole (approximately 20%).

This underlines the need to ensure that the miner has the biggest pay-package of **all** workers — one of the first essentials for the future of the coalmining industry in Europe.

ERRATUM

p. 58, column 1, lines 4 and 10:
For “output” read “productivity”.

In the iron and steel industry, real wages per hour rose equally from 1953 to 1956 by

25–30%.

This is comparable with the increase in output, which was about 30%. Hourly earnings in the **iron-ore industry** likewise increased by about

30%.

Real wages in the Community industries have thus not lagged behind the increase in output.

Other High Authority Action

The High Authority’s action in the social field has taken many forms apart from readaptation. Special mention should be made of its achievements in

workers’ housing,

for the worker’s standard of living depends very largely on the type of house he lives in. Four High Authority housing schemes now under way will provide at least

38,000 housing units

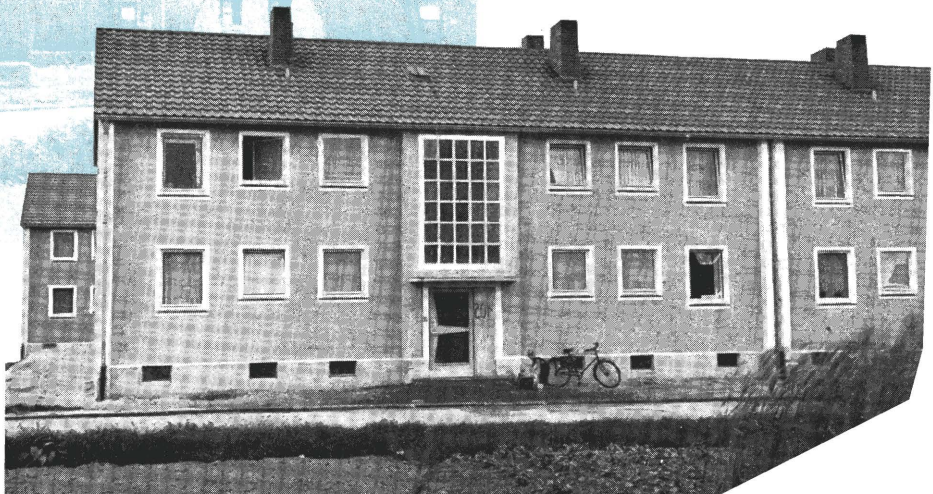
for Community miners and steelworkers. The building costs will total approximately \$180 million: the High Authority has contributed, out of loans raised and out of its own resources, a total of

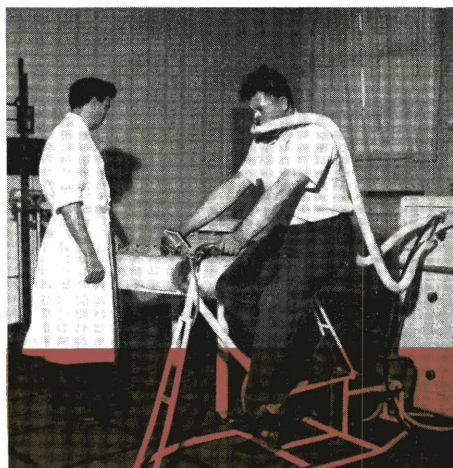
\$ 45 million.

before



now





In addition, in fulfilment of its duties under the Treaty and in spite of the very limited nature of its specific powers in this respect, the High Authority has developed an active social policy in many fields.

It has contributed funds for the promotion of **vocational training**. It has made available several millions of dollars for the financing of an extensive **research programme on industrial health and medicine**.

It has concerned itself very closely with matters of **industrial safety**. At its suggestion, after the pit disaster at Marcinelle, Belgium, an **International Conference on Safety in Coalmines** was convened in September 1956, to examine what measures could be introduced to raise the standards of safety in the mines. The Conference, which was presided over by two Members of the High Authority, has since completed its work; a permanent Mine Safety Commission is being set up to ensure that everything humanly possible is done to prevent the recurrence of group accidents in the coalmines of the Community countries.

Since thorough knowledge is the prerequisite of effective action, the High Authority's extensive investigations in the social field are of especial importance. Its work has enabled true comparisons in many different fields to be made for the first time between social conditions in the six countries. These now serve as a basis for framing the High Authority's social policy.

The European Coal and Steel Community has proved that it is possible to integrate major sectors of highly-developed European national economies. Admittedly, its impressive record of achievements has also been accompanied by certain difficulties. But not one of the many disasters prophesied by the opponents of European integration in all six countries has in fact come to pass. The Community has neither stifled the "weak" nor given everything to the "strong". It has produced neither a levelling-down to the lowest existing standards, nor complete chaos in prices. Most of the difficulties it has encountered have been due to the fact that it is based on only partial integration. They are not, therefore, arguments against this first step in European integration: indeed, like the positive results achieved, they are arguments for taking integration still further.

The Common Market for coal and steel is only a beginning. But it has set the European economy moving irresistibly towards integration, and has prepared the way for the next stages — those decided on in March 1957 by the Governments of the six member countries:

**a Common Market for all goods and
a European Atomic Energy Community.**



Children of Community officials attend the European School in Luxembourg.

The great European revolution of our time has begun. The force behind it is the hope and the resolve of a whole generation to build for their children, after the bloody struggles of the past, a free, strong and united Europe which will be their common heritage in a world at peace.

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