

BULLETIN FROM THE

Volume I No. 1

November, 1958

EUROPEAN COMMUNITY

INFORMATION SERVICE • 23 CHESHAM STREET • LONDON • SW1





The Signature of the Common Market and Euratom Treaties, Rome, March 25, 1957.

A NEW EUROPE TAKES SHAPE

A guide to the Six-nation Community

SIX nations in Western Europe—Belgium, France, West Germany, Italy, the Netherlands and Luxembourg—are to-day well advanced on the path to economic integration, the first step to a united Europe. Their common aim is to ensure the economic and social progress of their countries by united action in eliminating the barriers which in the past have divided Europe.

They have set up three Communities as a means to this aim. At the beginning of this year the six-year-old European Coal and Steel Community—which has already successfully introduced a common market for coal and steel—was joined by the European Economic Community (Common Market) and the European Atomic Energy Community (Euratom). With the experience of the first “pilot” Community to guide them, these are now at work on the tasks laid down in the Rome Treaties.

These three Communities will have a profound effect not only on their members, but also on other countries, in Europe and in the rest of the world. Already “the Six” are the largest single importer of raw materials in the world; and they are on the way to becoming also the largest single exporter of manufactured goods. What they have already done, and what they propose to do, are matters of direct interest to the United Kingdom.

This BULLETIN (which replaces the former *Bulletin from the European Community for Coal and Steel*) aims to provide up-to-date information on their activities, and background articles of general interest. In this issue will be found resumés of the first annual reports of the new Communities, which give an account of their activities during their first nine months, and the tasks which they are now undertaking. Other articles deal with recent social progress in the countries of the Community, and with the activities of the ECSC.

For the benefit of new readers, we publish below a brief guide to the institutions of the Community, together with an outline of their present relations with the United Kingdom.

CONTENTS

Cover Photo: A scene in the Port of Rotterdam (Netherlands)

page 2	A new Europe takes shape
page 4	The institutions of the Communities (chart)
page 5	Euratom and Common Market sum up first nine months
page 8	Social progress in the Community
page 10	High Authority acts in coal crisis
page 11	Record Investment in Heavy Industries

The three Communities and their tasks

European Coal and Steel Community (ECSC)

The initiative for the first of the Communities was taken on May 9, 1950, by M. Robert Schuman, in the name of the French Government. He then proposed that Franco-German production of coal and steel should be placed under a common "High Authority" in a Community open to other European countries. "The proposals", he said, "will build the first concrete foundation of the European federation which is indispensable to the preservation of peace." Subsequently a treaty was drawn up between the six countries who agreed to take this revolutionary step of setting up a Community: and on August 10, 1952—a day described by Sir Oliver Franks as "likely to be regarded by future historians as the most important date in the post-war decade of western Europe"—the High Authority began its work in Luxembourg.

Since that day, the Community has in fact fulfilled its first and most immediate task—the introduction of a common market for coal and steel. Customs duties, quota and currency restrictions on these goods have been abolished: discrimination in their sale or purchase based on their national origin has been prohibited: frontier charges on their movement have gone, and international through rates have been introduced. Rules of competition are enforced, and an active social policy is being pursued.

This includes the provision of readaptation aid for workers in the Community's industries, financial help for housing schemes, funds for medical research, and new measures to improve mine safety. A new future has opened out for the industries of the Community, now assured of a home market of 165 million consumers. As recent experience has shown, the Community provides new guarantees for all sides of industry whatever the prevailing economic situation may be.

The framework of Community Institutions

The three Communities will share certain common Institutions. These provide both parliamentary and judicial control over them:—

European Parliament: This is a body of 142 parliamentarians from the six national parliaments whose task it is to ensure the democratic control of the Communities. Each year the three executives must submit to the Parliament a report on their activities: the Parliament has the right to pass a vote of no-confidence which can lead to their resignation, and it must also be consulted on a wide range of subjects by the independent executives and the Council of Ministers.

Court of Justice: The Court, composed of seven judges assisted by two advocates-general, has the task of ruling on the interpretation of the Treaties, and taking decisions on disputes which may arise under them. Its rulings are binding on governments, enterprises and individuals, as well as on the institutions of the Community.

The Executives: In addition, each of the three Communities has its own executive bodies. They will share certain common administrative services. Power in each case is divided between an independent executive and a Council of Ministers representing the member states. In the case of the Common Market and Euratom the independent executive—consisting of nine and five members respectively—is called the Commission;

European Economic Community (Common Market)

On January 1, 1958 this first Community was joined by two others, established by treaties signed in Rome on March 25, 1957. The first of these, generally known as the Common Market, has the task of applying to the whole economic structure of the six countries principles which are in many ways similar to those tested in the ECSC. It aims to integrate them into one common market and customs union, with a common Social Fund and a European Investment Bank, over a period of 12-15 years.

Internal customs tariffs will be abolished during this period; a common external tariff will be established, and steps will be taken to introduce free movement of labour, capital and services within the Community. Common policies for agriculture and transport will also be introduced, rules of competition will be laid down, and—for an experimental period of five years—the overseas territories and countries having a special relationship with the Six will be associated with the Common Market.

European Atomic Energy Community (Euratom)

This Community has the task of speeding the development on a Community basis of nuclear industries in the six countries for peaceful purposes. It will introduce on January 1, 1959, a common market for nuclear materials; it will lay down measures for the control of nuclear materials, for security and for the protection of the health of workers in the Community, and will also—through a supply agency—ensure regular supply of nuclear materials; and it will be able to undertake joint enterprises. Special fissile materials will be the exclusive property of the Community and the Community will also undertake programmes of research and training.

in the case of the ECSC it is the High Authority, consisting of nine members. This has rather more direct power than either of the Commissions.

Consultative Bodies: A number of consultative bodies are attached to the executives of the three Communities. Two of them are designed to give direct access to advice to all sides of industry—producers, workers, consumers. In the case of the Common Market and Euratom the general consultative Body is the *Economic and Social Committee* of 101 members; for the ECSC there is a *Consultative Committee* of 51 members.

In addition, both the two new Communities have committees which will give them advice on technical matters. These are the *Monetary Committee* (which will advise the Common Market on general monetary and financial matters) and the *Scientific and Technical Committee* attached to the Euratom Commission.

Specialised Agencies: A number of specialised agencies has also been established. In the case of the Common Market these are:

European Investment Bank: which will make capital available within the six countries for investment in less favoured regions, and for other projects unlikely to attract private capital.

Social Fund: which will help to re-train and resettle workers who have to move and change their jobs.

Development Fund: which will provide capital for investment in the overseas territories and associated countries of the Common Market.

Euratom has a further two specialised agencies:

Supply Agency: which buys and sells nuclear material.

Joint Nuclear Research Centre: which will undertake specific research projects.

Headquarters: While the foreign ministers of the six countries have agreed in principle that the main Institutions of the three Communities should be put in the same place, they have yet to decide on the site. In the meantime, the headquarters of the Coal and Steel Community remain at Luxembourg, and the Common Market and Euratom have set up their offices in Brussels.

Great Britain's relations with the Communities

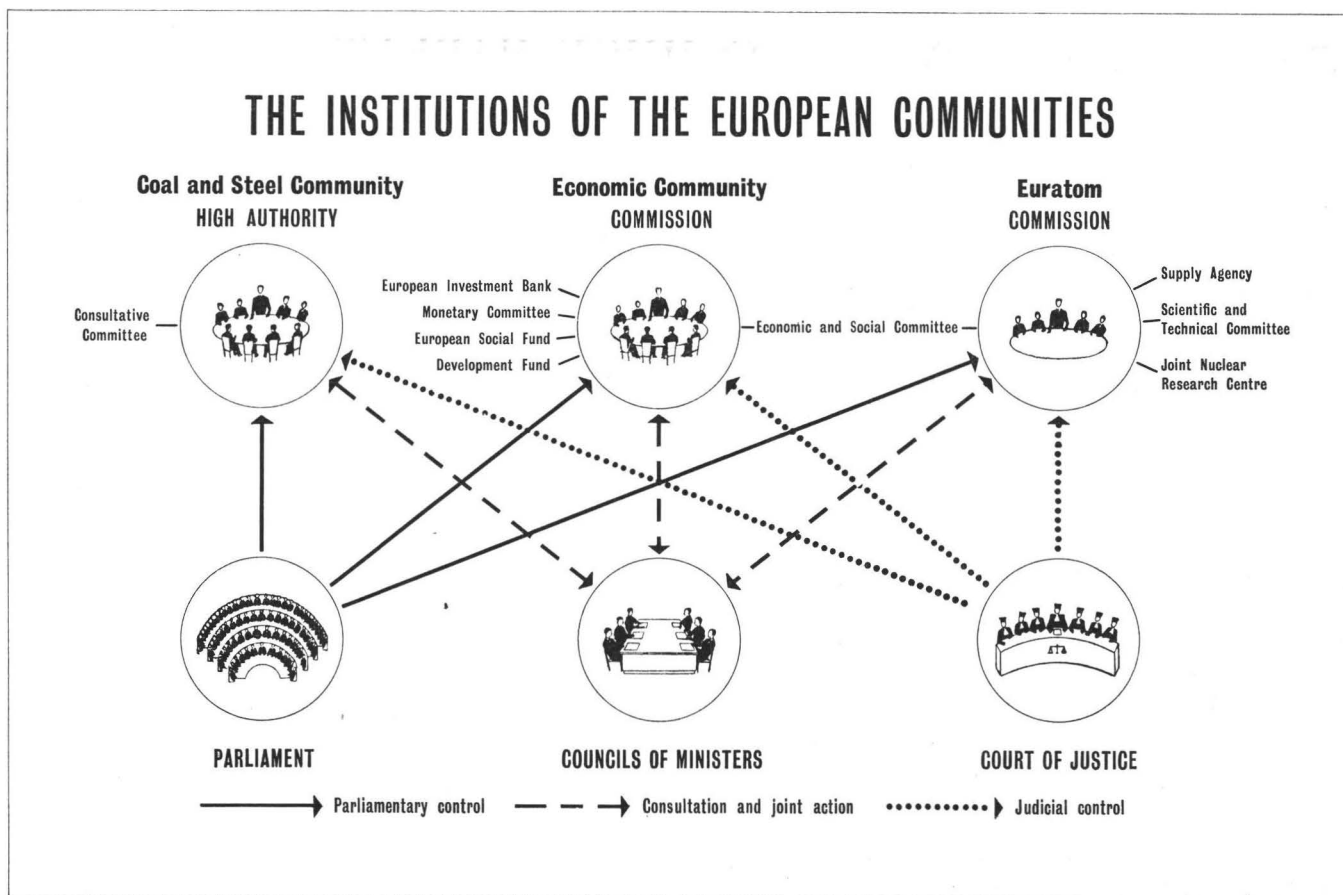
When the Schuman Plan was first put forward, the United Kingdom Government was invited to take part in the negotiations which led to the creation of the first European Community. The Government said, however, that it felt itself unable to join, and Great Britain has remained outside. With all three Communities, however, it either has, or is seeking, forms of cooperation and association.

ECSC: Since December 1954 the United Kingdom has had an Agreement of Association with the ECSC. This provides for a Council which meets occasionally at Ministerial level and for frequent consultation between the two sides, which is carried on in a number of Committees, and also through the delegation which the United Kingdom Government maintains in Luxembourg and the High Authority Delegation in London.

Euratom: Negotiations between Britain and the Euratom Commission are proceeding with a view to concluding a technical cooperation agreement. Good progress has been made,

and an agreement is expected to be signed in the course of the next few months.

Common Market: The problem of the United Kingdom's relations with the Economic Community is still unresolved. The urgency of a solution has been underlined in recent weeks in view of the imminence of the first tariff and quota changes which are due to take place between the members of the Community on January 1, 1959. For more than two years talks have taken place on the basis of a British proposal for a Free Trade Area which would link the Common Market with the other eleven western European countries who are members of the O.E.E.C. On November 14, after the last meeting of the ministerial council of the O.E.E.C., presided by Mr. Maudling, the French Government announced however that the existing proposals were unacceptable. Subsequently the British Government decided to suspend further talks. New proposals are now being sought to bridge the gap between the two positions.



Euratom and the Common Market sum up first nine months

First Reports presented to European Parliament

The progress registered so far by the two new Communities in giving Europe her new economic form formed the subject of reports submitted to the European Parliament at its meeting in Strasbourg from October 21 to 25. The reports, drawn up by the executives of Euratom and the Economic Community, enable the Parliament to pass judgment on the work which has already been done in this second major stage of European economic unity.

If the Parliament disapproves, it can force the resignation of the executives by a vote of censure, just as it can in the case of the Coal and Steel Community's High Authority. The debates on the reports are a reminder that the executives of the new Europe are subject to the scrutiny, criticism and stimulus of democratic control.

The Common Market report contains no spectacular announcements. Preparation for the start of a Common Market is not a spectacular task. The initial work of the Commission, apart from its important role in the negotiation of the Free Trade Area, or European Economic Association, has been one of establishing its organisation and the rules and regulations of its agencies such as the Overseas Development

Fund, surveying the economic and social scene so that it will have a clear conception of the task ahead, setting out the principles on which its policy will be based, and preparing for the first major step towards a Common Market on January 1, 1959, when internal customs duties will be reduced by 10 per cent. and import quotas extended.

Much of the work done by Euratom has been of a similar nature, but in addition it already has some major achievements to its credit. Among these is its agreement with the United States, with all that it implies for the rapid development of nuclear power in the Community; and its negotiations with the United Kingdom are expected to result in conclusion of an agreement shortly.

The Commissions' Reports: COMMON MARKET

The creation of the Common Market has opened up a new future for Europe, and promises new possibilities for the progress and prosperity of its people, the first Annual Report of the European Economic Commission declares.

It states that the task of the Community's institutions is not merely to carry out a series of technical measures laid down in the Treaty for the removal of barriers to the movement of goods, workers, capital and services. The institutions must also act as a dynamic force to hasten the creation of a common policy in which existing national economic policies will be drawn together.

The First Step

Of the measures to open up the Community's markets which are due to come into force on January 1, 1959, the first tariff reduction of 10 per cent. between the member states is not expected to raise special difficulties. The globalisation of quotas, however, is a more complex task, and the Commission has already been meeting with experts from the six governments in order to ensure that the Treaty's provisions are applied in as uniform and equitable a way as possible.

The Commission is also working intensively on the Community's external tariff and is currently preparing for negotiations on the all-important "List G", which covers those products on which the level of the common external tariff is to be fixed by negotiations between the member states.

On the free movement of capital and services, the Report underlines the Commission's intention to avoid distortions and

deflections in capital movements during the transition period as a result of continued differences between the various national regulations. At the same time, the Commission is anxious not to add to the already numerous existing controls and will urge the adoption of the most liberal possible measures.

The Common Market Treaty lays down the broad principles of free and healthy competition in the Common Market, and states that the detailed regulations for their application must be ready by the end of 1960. The Commission's belief is that the general rules of the Treaty are, however, already enforceable, and that they permit action against cartels by itself and by competent national authorities. A decision by the Court of Justice will be needed in this connection, however. One of the difficulties is that, while France, Germany and the Netherlands have anti-cartel legislation, Belgium, Italy and Luxembourg do not. Failure to apply the Treaty articles would therefore mean discriminatory treatment pending the working out of detailed regulations.

Towards a Prosperous and Rationalized Agriculture

The Report, which summarises the results of the Agricultural Conference of member states held at Stresa last July, sets forth as a basic principle the guidance of agricultural policy in such a way as to avoid increasing production of commodities for which the market outlets are limited. It states the Commission's intention of making a comprehensive study of possibilities for developing production, as well as an analysis of the prospects for developing consumption. This will indicate the direction in which the future development of production should be guided.



The Commission states that the starting point for Community action should be to reduce differences in the price of basic agricultural products. Vast investment programmes will be necessary, it states. It believes that the family farm is still the system which best meets the political and social needs of the Community.

A Progressive Social Policy

On social policy, the Commission states its intention of continuing to cooperate with the High Authority, the European Parliament, the Economic and Social Committee and the International Labour Office. It also plans comprehensive surveys of labour laws, wages, working hours, and the labour market in general. It intends to promote the mobility of labour, to aid in the coordination of vocational training and to set up an exchange programme between the member countries. It has already secured the adoption of a social security convention for migrant workers based on the ECSC's convention for coal and steel workers.

Partnership with Africa

The Commission reports that the Council of Ministers has already approved in principle its proposals for the Overseas Development Fund. Member governments and local authorities have been asked to submit a list of projects for which they require aid. For territories linked with Belgium and Italy, and some of the territories of the French Community, these projects have already been lodged with the Commission.

Work on customs arrangements and the right of establishment of enterprises is in progress, and two-way study visits between the Commission and overseas countries and territories are planned. The Commission has been invited to visit the Belgian Congo.

Harvesting in the Netherlands. Increased agricultural production is one of the objectives of the Common Market.

The Commission has already started systematic economic studies of the associated countries and territories, in order to facilitate investment and to aid the gradual adaptation of their production—for example, that of coffee, cocoa, bananas and oils—to European and world requirements. By associating the overseas territories with the Common Market, the Report declares, the Community's member states have shown their awareness of the duty which highly industrialised nations owe towards the less developed countries.

A Community Open to the World

The Report stresses once again the open and outward-looking nature of the Community. The Common Market is not intended to isolate the six member countries from the rest of the world. Economic progress demands that the Community shall be exposed to outside competition, the Report states.

The main problems in the Free Trade Area negotiations, according to the Report, include external tariffs, agriculture, institutions and under-developed countries. But the Commission declares that it will make every effort to help reach a satisfactory solution.

The Report describes the continued discussions in G.A.T.T., with which it is in constant contact, and its relations with the Council of Europe, the United Nations Secretariat and the Economic Commission for Latin America. The Commission declares that it will welcome the establishment of diplomatic missions from non-member countries, similar to that which has already been accredited to the Economic Community, as well as to Euratom and the ECSC, by the United States.

The Commissions' Reports: EURATOM

The Euratom Commission's first Report, covering the period from January 1 to the present, shows clearly, as might be expected from an organisation which had produced a report and a target (*A Target for Euratom*) even before it came into being, that Euratom has speedily got down to its task, that it is more than capable of furthering the interests of the Six in their nuclear relations with other countries, and that it promises well for the vital task ahead of it.

Three-pronged Research Programme

The Committee has made a three-pronged advance in the field of research. In the first place, it is surveying and co-ordinating research programmes already planned or under way in the six countries. Secondly, its cooperation with non-member countries, particularly the United States and Great Britain, has passed beyond the stage of good intentions. Thirdly, the Commission is starting up its own research programme, and its plans are well-advanced for setting up the Community Research Centre envisaged by the Treaty: for studying and constructing experimental and prototype reactors; for studying fusion, radio-isotopes, health protection, documentation and training; and for setting up a Bureau of Standards.

The Commission is at present working on its procedure for dissemination of technical information, for which it has already laid down security rules.

Industry and the Nuclear Common Market

The inquiries made in compiling the Report on the Situation of the Community's Nuclear Industries, published last June, helped the Commission to establish its first contacts with the Community's nuclear industries and to lay the basis of nuclear statistics. In the field of energy policy—including reports and forecasts—the Euratom Commission has already established close cooperation with the ECSC's High Authority.

Finally, it is currently seeking to promote in the six Community countries the idea of an "atomic industrial forum" grouping the industrial federations, and similar to that which exists in the United States.

The Common Market for nuclear goods and materials will be opened on January 1, 1959.

Supply Agency's Statutes Drafted

The Euratom Commission has worked out a draft statute for the Community's Supply Agency, which will have an option on all ore and fissile materials produced in the Community as well as the exclusive right to conclude import contracts, and sole ownership of special fissile materials such as enriched uranium. The Agency will be under the supervision of the Commission, which states that it intends to make it as flexible an instrument as possible, run on commercial lines. The Commission plans to associate all sides of commerce and industry with the Agency's activities by setting up a consultative committee.

Strict Inspection, Security Control and Health Protection

The Commission reports that it has started work on its inspection and control system, designed to ensure that fissile material intended for the production of nuclear power is not diverted to other uses. Its control system has been accepted by the United States Government for the nuclear programme to be set in motion immediately under the cooperation agreement between Euratom and the U.S.

Basic rules for health protection are ready, and will be submitted to the Council of Ministers before January 1, 1959. In this field the Commission feels there is much to be gained by establishing close contact with other nuclear bodies, especially the O.E.E.C.'s Nuclear Energy Agency.

Close Co-operation with other Countries

The Report justifiably stresses the agreement reached with the United States for a one-million kW. programme of reactor construction based on enriched uranium and a ten-year joint research programme and also the current negotiations with Britain to enable the Community to cooperate in the development of natural uranium reactors and thus benefit from the experience of the country most advanced in this field.

Euratom has already established contact with the International Labour Organisation, the Council of Europe, the International Atomic Energy Agency, and the O.E.E.C.'s European Nuclear Energy Agency. It participates in the latter's Eurochemic Company; it has decided on financial participation in the construction of the Norwegian reactor at Halden; and it is considering participation in the building and operation of the high-temperature gas-cooled reactor which Britain plans to construct.

EURATOM'S ACHIEVEMENTS TO DATE

In the nine months of its existence Euratom has already a large number of achievements to its credit. Apart from setting up its own administration and helping to establish close cooperation with the other two Communities, it has also:

1. Prepared for the opening of the Nuclear Common Market on January 1, 1959.

2. Drawn up a number of basic documents for the fulfilment of its various tasks. These include:

—a first research and training programme; an inventory of existing nuclear industries; security regulations; basic

health-protection rules; criteria for judging the importance of nuclear investment projects; a draft statute for the Nuclear Supply Agency.

3. In the field of external relations, it has also: —concluded a major agreement for cooperation with the United States; and made good progress in negotiations for a technical collaboration agreement with the United Kingdom.



The Common Market opens up new prospects for Europe's automobile industries. Here a line of Dauphine models nears completion at a Renault factory in France. (Photo—Régie Renault.)

SOCIAL PROGRESS IN THE COMMUNITY

Balance Sheet of Recent Achievements

To facilitate its task of improving living and working conditions in the member countries, the Economic Commission has produced a balance sheet of the present social situation as an annex to its first Annual Report¹. In it the Commission examines the progress made in various directions by separate national governments before the creation of the new Community, and pinpoints some of the problems now to be faced.

The population of the Community is at present just over 165 millions; three times as great as that of the United Kingdom, almost the same as that of the United States, and only one-fifth less than the Soviet Union. It is expected to increase by about one million a year, reaching a total of more than 173 million by 1965.

TABLE I. POPULATION.
(in thousands)

Country.	1958	1965 (estimate)
Federal Republic	51,832	55,310
Belgium	9,027	9,103
France	44,289	45,716
Italy	48,594	50,740
Luxembourg	315	320
Netherlands	11,096	11,914
TOTAL	165,153	173,103

¹Exposé sur la situation sociale dans la Communauté à l'entrée en vigueur du Traité instituant la Communauté Economique Européenne. (Common Market Commission, Brussels, 1958.)

Favourable Employment Prospects

At the beginning of the year 96.4% of the Community's working population was in employment. The only black spot was Italy with an average unemployment rate of 8.3%. But there the problem was concentrated in the largely agrarian south characterised by over-population and severe unemployment. In the industrialised north, on the other hand, there was almost full employment. In none of the other five countries of the Community was there more than an average of 2.6% unemployment.

In recent years the general level of employment in the Community has risen steadily, by about 1.5% per year. The greatest increase has been in the Federal Republic, but it has been marked also in Luxembourg.

Unemployment has fallen at the same time, even in Italy, where certain factors might have pointed to its increase (Table II). The general employment prospect for the next few years is also favourable, even if trends since the end of 1957 seem to suggest a decline in the rate of economic expansion. Development plans and investment programmes point to a new increase in the level of employment, though it is not expected to be as rapid as in recent years.

TABLE II. UNEMPLOYMENT.
(average annual level in thousands)

	1955	1956	1957
Federal Republic*	935	765.8	669.2
Belgium	116.5	91	77.9
France	300	150	140
Italy†	1,913	1,937	1,757
Luxembourg	nil	nil	nil
Netherlands	41.4	30.3	41.4

*Including the Saar. †O.E.E.C. figures.

Changing Distribution of Work

At present almost a quarter of the Community's labour force is employed in agriculture, though the proportion varies considerably from country to country. In Italy it is as high as 38.5% while in Belgium it is only 10.2%. A trend away from agriculture has already been evident for some years, however, and this is likely to be accentuated in the future, especially in Italy and France.

Helping Labour Mobility

One of the serious problems which the Community will have to face are the obstacles in the way of its declared object of freeing the movement of labour between member countries. At present this is strictly controlled by labour permits. These are usually only issued for a maximum period of 12 months and for those forms of employment where there is a known shortage of labour. The only major exception—in force since March 1957—has been the common labour market of the Benelux countries. Certain categories of skilled workers in the coal and steel industries may also now move freely, following the ECSC agreement on an International Labour Card.

Real Wages Rise

In recent years there has been a general rise in nominal hourly wages in Community countries, most noticeably in the years up to 1957. The greatest increase since 1953 has been in the Netherlands (47%), closely followed by France (42%). The smallest rise was in Italy (22%). In general the increase has been a general one in all sectors of industry, though German miners, for instance, have benefited more than other sectors (an increase of 43%) while workers in the leather industry in the same country had a less-than-average increase—22%.

The report says real wages, too, have increased, as price increases have been less than gains in nominal wages.

More—and Better—Houses

In all the Community countries great efforts have been made since the war to deal with the housing shortage caused by war-time destruction and increases in population. Not only have more houses been built, but even the smallest are more comfortable than before.

All the governments have been active in this field. Last year the Federal German Government financed the building of more than 50,000 houses for refugees from the Eastern Zone in areas where jobs were available; and of the total of 550,000 houses built in 1957 about half benefited from the state's financial help in the form of large loans at low rates of interest. The Italian Government has itself also financed the construction of some 95,000 houses since the war for the homeless. In some cases special housing programmes have been sponsored to attract workers to a particular industry; this has been the case both in France and the Federal Republic; in the latter case

25,000 houses have been financed out of a special surtax on the price of coal.

Working Hours Fall

There has also been a reduction of hours of work in the same period, particularly in the Federal Republic, Belgium and Italy. In most industries in the Federal Republic the 45-hour week has been introduced, without any reduction in wages; and in Belgium certain important sectors—such as electricity, chemicals and banking—fewer than the average 45 hours are now worked. In Italy there has been for the first time a reduction in working hours without loss of salary: a total of 300,000 workers have benefited from this, and some now have a 40-hour, five-day week.

Increasing Social Security

There has also been a steady increase in all member countries in the range and benefits available under schemes of social security. More and more sectors of the population have been brought into the ambit of such schemes.



Comparing prices during a High Authority Social Survey designed to compare real wages in Community countries.

Within the six countries two main theories have underlined these developments. Some have developed as schemes of social insurance, while others have been directed towards a wider aim of general social security. The difference in theory is that the first type covers only certain specific risks for particular groups of workers, while social security schemes aim at a general protection against a wider range of risks, and are open to all citizens.

These theoretical differences have not in practice, however, made such great differences to the actual operation of these schemes. In all the six member countries the risks now effectively covered include sickness, maternity, death, disablement, old age, accidents during employment, occupational diseases, unemployment and family allowances.

More Social Legislation

In this field state intervention in all Community countries has greatly increased since the war, notably as regards wage policy and working conditions. In all countries, too, trade unions and professional bodies have been increasingly active in the negotiation of collective agreements. The study examines the present situation in the various countries and notes that one of the tasks of the Community is the progressive harmonisation of legislation in this field.

HIGH AUTHORITY ACTS IN COAL CRISIS

Measures to Ease Stock Financing and Import Pressures

The High Authority has acted to ease the ECSC's number one problem: the mounting level of coal stocks at pitheads. A meeting of the Council of Ministers in Luxembourg on October 13 and 14 adopted in principle almost all of a series of High Authority proposals aimed at avoiding unemployment in the pits by helping to finance limited additional stocks, and— even more important—by stemming the excessive flow of coal into the market.

The High Authority decided against declaration of a "manifest crisis" and the application of the draconian measures of import restriction and allocation of production quotas which, under the terms of the ECSC Treaty, it would then have been able to impose throughout the Community.

The aid in stock financing may be in the form either of credits or outright grants, and will be provided partly by the High Authority and partly by the member governments. Only part of the costs of financing will be met, and the total outlay by the High Authority is limited to \$7.8 million.

Three other measures were adopted which are expected to have a rapid effect on the market:

- (1) the member governments undertook to take as much Community coal in 1958-59 as they received during the boom period;
- (2) the High Authority agreed, at the insistence of the Belgian Government, to use its good offices to see whether some contract obligations for imports of U.S. coal could be cancelled or postponed;
- (3) the Governments agreed to ask the major coal consumers such as the railways whether they could increase the amount of coal they hold in stock.

At the same time, the High Authority stressed that the cancellation of existing contracts was a strictly commercial affair which in each case could be settled only on the basis of agreement between the two parties concerned. High Authority Vice-President Dirk Spierenburg saw Douglas Dillon, U.S. Under-Secretary of State in charge of economic affairs, in Geneva on October 17 for an informal exchange of views on the question of Community coal imports from the U.S.

As longer-term remedies, the Ministers accepted the High Authority's proposals for setting up under its own chairmanship a special Committee to collate the six countries' coal imports; they pledged that the Governments would do everything possible to ensure that full information was provided by importers regarding their purchase and shipment contracts. This should make it possible in future to avoid the recurrence of a situation where import commitments become substantially greater than the level indicated by real needs, as has in fact happened in 1957 and 1958.

Belgian Mine Reorganisation to be Speeded Up

The High Authority also insisted on the rapid implementation of plans to reorganise the mines of South Belgium as a means of reducing the average cost level in the coalfield. High Authority criticism of the producers' failure to complete this reorganisation during the transition period, despite the \$117 million of aid received by the Belgian coal industry, has

been implicit in several recent documents. Major plans for closure of uneconomic pits and the transfer of the labour to productive pits in the same area are now to be implemented and will affect five million tons of coal annually.

The measures agreed to by the Council were the culmination of a series of efforts by the High Authority to obtain Community-wide action to ease the mounting crisis in coal. Handicapped by its lack of direct powers under the Treaty for a situation which is no longer "normal" but which does not justify declaration of a "manifest crisis", the High Authority had on a number of occasions asked the Governments for action to aid the financing of stocks and clarify the import situation, and had also urged coal producers to adopt a more flexible sales policy. Prior to October 13, these efforts had met with little success.

Stocks at Highest Level Since the War

By then, however, the situation had deteriorated sharply. Despite the structural growth in global demand for energy, Community coal production was stationary at the 1957 level, and for the year would probably reach the 1957 total of 248 million tons.

In Belgium and Germany, the countries hardest hit, short-time working was becoming widespread, and in the worst-hit districts of Belgium one shift a week was idle, and in some cases two. The effort to avoid the permanent losses of skilled manpower which laying off miners would have entailed could not go on much longer without some measures to ease the situation.

Stocks at pitheads and coking plant had reached nearly 23 million metric tons for coal and some 5½ million for coke, making the total at the end of the year unlikely to be much under 30 million tons, more than double the level of 14.7 million reached at the end of 1953, when the coal industry was last passing through a recession. Worse still, consumers' stocks at the end of June this year—the latest available figures—were also, at 21.4 million tons, twice as high as the figure of 10.8 million recorded at the end of 1953. In these circumstances, many consumers were tending to run down stocks rather than buy fresh tonnages.

A Surfeit of Imports

The causes of the difficulties emerge clearly from the High Authority's statistics. Consumption has fallen, with apparent consumption in the first half of 1958 at 125 million tons against 145 million in the corresponding period of 1957. Competition from fuel oil played a large, though not predominant, part in this fall, particularly in Germany. Exports were also declining, and with world markets satiated are barely expected to reach the four-million ton mark this year, against 5.1 million in 1957.

Against this background, the evolution of imports presents a somewhat startling picture. Despite the fall in consumption to something like the level of production, imports continue to come into the Community: this year total imports from the U.S. are likely to reach 26 million metric tons, against 38 million out of total imports of 43 million in 1957. Shipments of Polish coal have been on the increase.

The reasons for this continued flow of imports have been three-fold. In the first place, imported coal has been cheaper: with the low Atlantic freight levels of 1958, American coal could be delivered almost anywhere in the Community cheaper than Community coal, while Polish coal, untroubled by cost price schedules, could be offered at cut prices. Secondly, American coal is coming in under long-term contracts, signed when coal was hard to get and in response to the Community's structural need for imported coal to meet its total energy requirements. Thirdly, the psychological effects of a shortage mentality and speculative imports in anticipation of a possible upturn have, to use an almost appropriate metaphor, added fuel to the flames.

The Structural Energy Deficit

If measures had not been taken to attempt to avoid unemployment in the mines and to clear up the stock situation, the effects on Europe's energy situation in the long term could have been serious. For the High Authority is in no doubt about the Community's continued need of all the coal it can economically produce; the energy deficit of the Six, who already import nearly one-quarter of their total energy needs, will rise with the long-term expansionary trend of the economy. The investments in production which alone can ensure an adequate supply of coal at competitive prices could not be jeopardised by failure to act in the present, almost certainly temporary, slackening of expansion.

RECORD INVESTMENT IN HEAVY INDUSTRIES

High Authority's Annual Report

On the level of investment depends the realisation of the general aims of European integration, and indeed the aim of any sound economic policy: the improvement of living and working conditions and the raising of living standards. It is no accident that Article 3 of the ECSC Treaty links as aims of the Community "the improvement of the living and working conditions of the labour force" and their "harmonisation in an upward direction" on the one hand, and, on the other, "the regular expansion and the modernisation of production". Without the latter, there can be no sound and permanent basis for the former.

More than anything else, the level of investment is a guide to whether European economic integration can in the future achieve its major social aim. The European Economic Community has already given a sharp reminder to firms that they must become more and more efficient in the new competitive Common Market of 165 million consumers. Even if the rate of economic growth in general were not temporarily slackening, however, it would still be too early for the effects of the new Community to be reflected statistically. But the latest investments report of the ECSC's High Authority provides startling proof of the effect of five years of integration on capital investment in the Community's coal and steel industries.

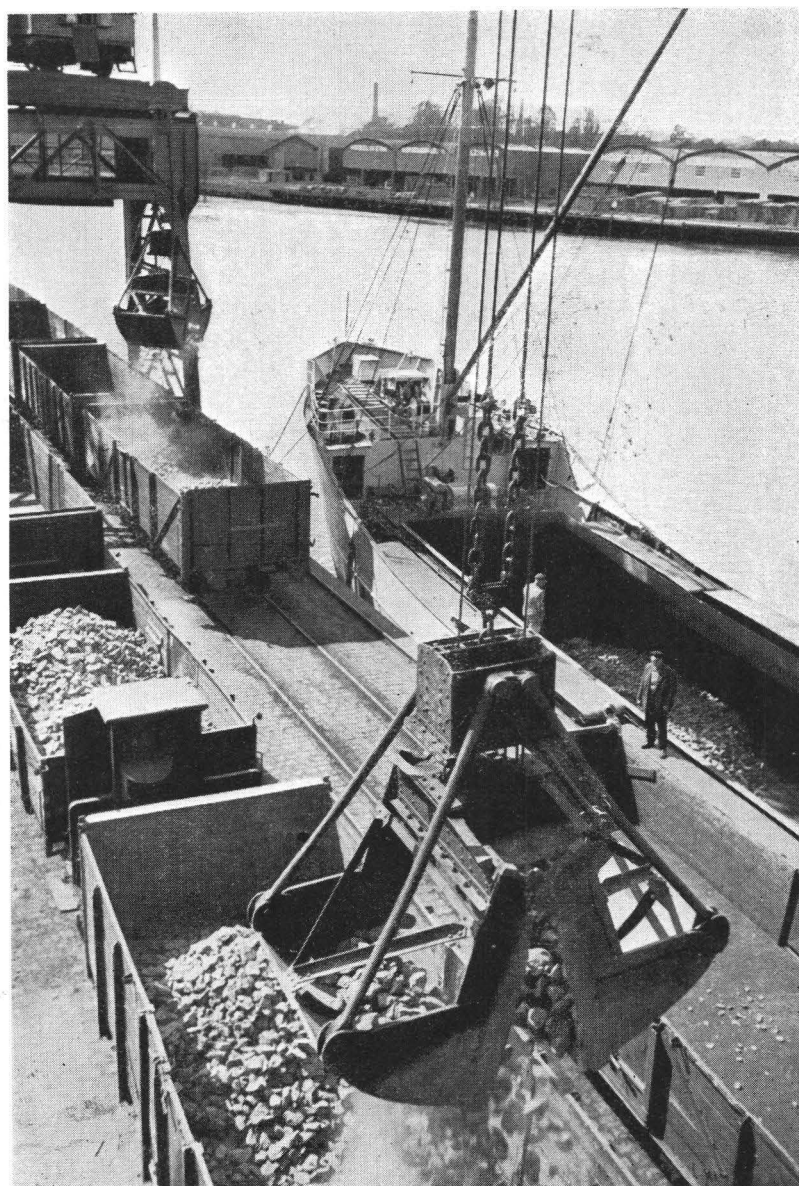
The report, based on the High Authority's 1958 investment survey, shows that capital investment in the Community's coal and steel industries in 1957 reached the record level of \$1,241 million—more than 21% greater than the \$1,023 million invested in 1956 and the average of roughly \$1,000 a year invested from 1952-1956. Expenditure was up 25% for the steel industry, 20% for the coal industry and 10% for iron-ore mines.

A high investment level is being maintained in 1958, for which year the report lists major investment projects totalling \$1,316 million, although actual expenditure is likely, as is normally the case, to fall below this figure.

The report indicates that the Community's industries have made a major effort since 1952 to develop and improve their installations. From 1952 to 1957, they spent a total sum of \$6,300 million, of which 53% was on the steel industry, 43% on the coal mines, 3% on iron-ore mines and 0.5% on lignite briquette factories.

The expenditure planned for 1958 and 1959 may not all be fully realised in practice. On the other hand, other expenditures not planned at the time when the High Authority made its survey, are likely to make up part at least of their shortfall in these two years.

The total of \$1,316 million forecast for investment in 1958 is smaller than the total of \$1,482 million forecast for 1957 in



Unloading Swedish iron ore at Lübeck. Investments in the Community's own iron-ore mines continue to rise sharply. (Photo—Deutsches Bundesbahn.)

the High Authority's previous Investment Report, published a year ago. This, however, is considered normal after a year of such a high level of investment as was achieved in 1957; in addition, any interruption of a boom such as recently occurred is bound to induce a degree of caution in investment planned. The planned level in investment for 1958 is still considerably above the level of investment expenditures actually carried out in 1957.

Table I—(\$ millions)

Sectors	Actual Expenditure						Planned Expenditure	
	1952	1953	1954	1955	1956	1957	1958	1959
Coal Industry	505	489	450	416	409	484	597	482
Steel Industry and Iron-ore Mines	574	570	483	555	614	758	719	466
TOTAL	1,079	1,059	933	971	1,023	1,242	1,316	948

Coal Industry

In 1957, investment expenditure actually carried out in the coal industry and in lignite briquette factories reached \$484 million, thus returning to the high level of 1952 and 1953, and very much higher than the level from 1954 to 1956. This improvement in the investment level particularly benefited the pits themselves, on which more than 60% of the total was spent. This percentage was very slightly lower than that of 1955 and 1956, but slightly higher than those of 1952-1954.

Effective production possibilities afforded by enormous investment programmes should rise from 259.8 million metric tons in 1957 to 278.8 million metric tons in 1962. Thus, in the long term, the investments survey shows them to be developing at a slower rate than requirements, as defined in the General Objectives published by the High Authority.

Despite comparatively small significant expenditure, production possibilities for coal remain close to requirements predicted in the coming years, and pit-head power stations will absorb a rising proportion of secondary products.

Iron-Ore Mines

After having shown little change from 1952 to 1956, investment expenditure is rising sharply in all sectors of the iron-ore industry, particularly on preparation of the ore at the mine.

In spite of this intense investment effort, Community production in the coming years is unlikely to be able to extend as rapidly as demand. Theoretical production possibilities, as given by programmes known at January 1, 1958, should rise from 92.1 million metric tons in 1957 to 110.5 million metric tons in 1962.

Iron and Steel

In 1957, investment expenditure in the iron and steel industry reached the record level of \$711 million—25% higher than the 1956 total (Table II).

The effect of the new investments on production of pig-iron is slowly beginning to make itself felt: the growing production possibilities 1957-1959 should be of the order of 6.5% a year, compared with an average annual rate of increase in pig-iron production of 5.4% from 1952 to 1957. Production possibilities for steel should at the same time rise by 5.5% per year from 1957 to 1959, compared with an average annual rate of increase in actual production of 7.5% between 1952 and 1957. This more rapid rate of increase for pig-iron, as compared with

crude steel, should by 1961 produce a substantial improvement in the ratio of pig-iron production to steel production, over the development of which the High Authority has frequently expressed its anxiety.

Table II—(\$ millions)

Installations	Actual Expenditure						Planned expenditure*	
	1952	1953	1954	1955	1956	1957	1958	1959
For production of:—								
Pig Iron	83	91	70	83	131	188	225	173
Steel	91	82	44	63	102	130	101	58
Rolled Products ...	282	266	265	301	245	282	221	114
Auxiliary Services	89	103	75	77	93	111	119	76
TOTAL	545	542	454	524	571	711	666	421

*(Investments started or decided on 1st of January, 1958).

Production Possibilities in 1960

Table III shows the likely level of effective production possibilities, which have been estimated at equal to 96% of the sum of the individual production possibilities, with requirements in 1960 as estimated in the General Objectives.

Table III—(millions of metric tons)

Products	Effective production possibilities in 1960	Requirements in 1960*
Coal	258.5	306
Coke	86.5	87
Iron-ore	29.3	47†
Cast-iron	54.8	58†
Crude steel	71.2	73.5

*According to the General Objectives as defined on May 20, 1957 (including export needs).

†Assuming scrap imports do not exceed 1.5 to 2 million metric tons.

This table shows that production possibilities in the iron and steel industries are likely to reach the level of requirements as estimated in the General Objectives. It appears, however, that for coal and iron-ore an appreciable gap will exist between production possibilities and estimated requirements. This predicted divergence between the development of production capacity, on the one hand, and requirements, on the other, is independent of momentary trends in the stage of economic activity. The prediction of this shortfall is the result of estimates covering long-term development. In the same way, the General Objectives for 1960 should only be regarded as a prediction of the trend in long-term development, and not as an exact forecast for a given year.

For Further Information

Details of publications issued by the three Communities, and of other facilities available through the Information Service are available from :

The Press and Information Officer,
European Coal and Steel Community,
Delegation in the U.K. of the High Authority,
23, Chesham Street, S.W.1.
(Tel.: SLOane 0456-8)