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OF THE

EUROPEAN

COAL AND STEEL COMMUNITY

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THE HIGH AUTHORITY

PROGRAMMES BASED ON FORECASTS FOR THE SECOND QUARTER OF 1956

I. INTRODUCTION

The "programmes giving forecasts for guidance" (Article 46 of the Treaty) of the production, consumption, exportation and importation of coal and steel during the second quarter of 1956 are based on the following considerations as to the general development of the economic situation in the countries of the Community.

At the present moment, the economic development of the Community countries is characterized by a vigorous expansion in trade and sharp seasonal spurts. The rate of expansion is, however, more marked for demand than for supply, since in most countries the rhythm of expansion on the supply side is being checked by an increasing shortage of manpower and, to some extent, of reserve capacity, as well as of certain raw materials and semi-processed materials.

As regards *demand*, the rapid rise in production and employment in the last few months of 1955, and the considerable increases in wages and incomes suggest that a further substantial expansion of demand may be expected. To this must be added that there is not only a continued lively investment activity in all six countries, but that since the autumn of last year, consumption too has risen steeply, with a particularly sharp increase in the demand for durable consumer goods. Activity in the building trade, the financial policy of the authorities, particularly as regards capital works on public account, and last but not least export requirements will all undoubtedly continue to contribute to the rapid all-round expansion in demand.

It hardly seems likely that the "credit squeezes" recently introduced in the various countries will succeed in checking this expansion of demand sufficiently as to slow down the rate of expansion, and more particularly industrial production, during the second quarter of 1956.

As regards *supply*, for some little time now certain limiting factors have become noticeable, which will probably act as a check on the upswing of industrial production during this quarter to a greater extent than in the corresponding period last year. The main decline, as against last year, is in manpower reserves. It will probably be the lack of skilled workers which will be felt most in all the countries of the Community, though in varying degrees, and will cause the rate of increase of production to fall off. Furthermore, existing reserve capacity has not only definitely decreased since last year, but is in some sectors—more particularly the capital-goods industries—actually used up or on the way to it. Again, in some sectors (*e.g.* the coalmining and iron and steel industries and the building trade), bottlenecks are appearing, which can only with difficulty be circumvented by means of corresponding imports, and will themselves probably act as a further brake on the general rate of expansion.

Industrial production will, therefore, certainly be less able than at the same time last year to draw on expansion reserves in the form of reserve capacity and manpower. It will, in fact, be much more dependent than

heretofore, as regards its rate of expansion, on the construction of additional new plant and potential improvements in productivity. This is particularly true of Germany and the Netherlands and, to some extent, of Belgium, but much less so in the case of Italy and France, where there should still be considerable expansion reserves as regards supply.

Even though the recent lively investment activity gives reason to expect a swift and sustained increase in new plant and in productivity, these expansion factors should scarcely suffice to make good the dwindling of the margin for expansion which may be expected to result from the probable contraction of the rate of increase of employment and the rapid falling-off in reserve capacity.

To take the situation as a whole: despite the steep and continued rise in demand, the margin of expansion as regards supply, and consequently the rate of increase in industrial production, for the second quarter of 1956 will be slightly lower than for the same period last year, when the industrial production of the Community was 13% above the level for the corresponding quarter of the year before that.

II. PROGRAMME FOR COAL

Second quarter, 1956

In accordance with Article 46 of the Treaty, the High Authority has drawn up, on the basis of information furnished by the governments of the member countries, a programme giving forecasts, for guidance, on coal production, consumption, exports and imports for the second quarter of 1956.

The main feature of the situation is the stepping-up of activity in the iron and steel industry, where the demand for coke is 400.000 metric tons above the forecast for the first quarter. The coking-plants appear to be in a position to cover this increase, with throughput up by over 600.000 metric tons. It should, however, be emphasized that although the carbonization industry is able to meet coke requirements it is doing so by making increasing use of old batteries with a low output.

In the other sectors, there is a seasonal decline in demand, principally observable in household, power-station and gasworks consumption. On the whole, therefore, despite the increased requirements of the coking-plants, demand for hard coal is down by approximately 3m. metric tons on the previous quarter.

This does not, however, ease the situation, as production, for its part, also shows a drop of 3.700.000 metric tons, as the second quarter is four working days shorter than the first.

Estimated exports to third countries in the second quarter, both of hard coal and of coke, remain at the same level as in recent months.

As regards imports, those from third countries other than the United States are likely to total approximately 1m. metric tons, of which one-half from the United Kingdom. These imports are, however, small in comparison with the tonnages which the Community countries are having to procure from the United States. The balance-sheet of the Community shows a deficiency in the region of 6m. metric tons to be made up with American coal. We can confirm, in this connexion, that the necessary tonnages are being imported without difficulty, and amount to approximately 2m. metric tons for January and over 1,500.000 for February.

The estimates serving as a basis for this examination of the position were drawn up in February. It was not possible to foresee at that time how long and pronounced the cold spell was going to last. The full consequences of the winter are not yet known, but the bitter frost resulted in a dislocation of transport (particularly water transport), which in turn led to supply difficulties. As the necessary means of transport were not available, the collieries were even obliged to pile up stocks. As regards consumption, it is still not possible to express the adverse effects of the cold spell in February in figures. Taken in the perspective of the winter as a whole, they will perhaps be less serious than might appear at first glance, in view of the mild weather up to the end of January. However, as consumers were obliged to live on their stocks to an abnormal extent, it is essential that these stocks should be built up again in the spring.

The following table shows the forecasts for the second quarter of 1956 as to the Community's production and the requirements of the various consumer, export and import sectors in respect of hard coal and hard-coal briquettes, coke-oven coke, brown-coal briquettes and low-temperature coke of lignite.

TABLE I
AVAILABILITIES AND REQUIREMENTS IN SOLID FUELS IN
THE COMMUNITY

Forecasts for the second quarter of 1956

000 metric tons

	Hard coal and hard-coal briquettes	Coke-oven coke	B.K.B. and low- temperature coke of lignite
1. Hard-coal production . . .	60,800	18,600	4,150
2. Pitch for briquetting purposes ¹	100	—	—
3. Collieries' own consumption	6,200	500	260
4. Miners' coal	1,200	40	70
5. Stocks at beginning of quarter	6,000	260	—
6. Stocks at end of quarter	5,500	420	—
7. Additions to (+) and withdrawals from (-) stocks (6 - 5)	-500	+160	—
8. Internal availabilities (1 + 2 - 3 - 4)	54,000	17,900	3,820
9. Imports from (a) third countries other than the U.S.A.	1,050	—	1,100
(b) U.S.A.	5,800	—	—
(c) Total	6,850	—	1,100
10. Total availabilities (8 + 9c)	60,850	17,900	4,920

¹ Briquette production minus hard-coal consumption at the briquetting-works.

	Hard-coal and hard-coal briquettes	Coke-oven coke	B.K.B. and low- temperature coke of lignite
11. Apparent consumption ¹ . . .	59,650	16,850	4,750
(a) coking-plants . . .	24,800	—	—
(b) gasworks . . .	3,000	—	—
(c) power-stations . . .	5,500	—	—
(d) iron and steel industry . . .	1,300	11,300	200
(e) other industries . . .	10,200	2,300	—
(f) railways . . .	4,400	—	—
(g) households . . .	9,100	2,500	3,000
12. Exports to third countries . . .	1,950	1,200	120
13. Total requirements . . .	61,600	18,050	4,870

III. PROGRAMME FOR IRON AND STEEL

Second quarter, 1956

The following programme and forecasts for iron and steel for the second quarter of 1956 are the result of a first attempt by the High Authority to work out in advance the probable trend in the Community's overall availabilities and requirements, and the trade with third countries in the main products and raw materials of the iron and steel in the Community.

On the basis of the latest figures available for production, consumption and trade and the trends revealed by them, together with reasonable assumptions as to the future movements of these tonnages—allowing, in particular, for the expected developments in the general economic situation—an attempt has been made to determine the levels likely to be reached in the period April–June 1956, and to show briefly what balance of supplies it should be possible to attain.

It should be mentioned that the High Authority has no national accounts or programmes at its disposal for iron and steel as it does for coal. Moreover, the statistical data available for certain important elements, such as stocks, are incomplete. For these reasons, and because of the rapid and often unpredictable fluctuations in the activity of the iron and steel industry, the figures given in the text and in Table II following embody considerable margins of uncertainty, greater than those for the programme on coal on the preceding pages.

Apart from these elements of uncertainty, it is evident that the supply situation of the Community as regards iron and steel products and raw materials will continue tight during the second quarter of 1956, particularly in respect of steel and scrap supplies.

A. STEEL

In view of the probable development of industrial production and the level of investments in the Community, as well as of the orders for iron and steel products booked by the works, it is likely that the latter will go

¹ Allowing for corrections for low-grade products in Germany.

all out, during the second quarter, to attain the maximum volume of production they can achieve. It is, however, hardly to be expected that the Community's crude-steel production will exceed 14,100,000 metric tons.¹ This figure, which is the most optimistic estimate, can only be achieved if daily production is 6% above the level for the six months before the period under review, *i.e.* with the steelworks producing to the limit of their capacity.

Community imports will not be more than slightly above the average for 1955, *viz.* 300,000 metric tons.²

As regards exports, it should be noted that the extremely rapid increase in orders from third countries, which has been going on since the middle of 1955, continued into the beginning of 1956. Although deliveries by the works for export to third countries were slightly lower in January–February 1956 than in the fourth quarter of 1955, it is not to be expected that this trend will continue. Exports for the second quarter of 1956 will, therefore, not be below the level of deliveries for January and February, *viz.* 2,350,000 metric tons,² and will probably be above it.

The estimated level of industrial production and investments suggests that apparent consumption in the Community is likely to be more than the 12,050,000 metric tons² which would be available according to these forecasts. It should, however, be borne in mind that there was a certain amount of stockpiling in 1955. A reduction in the rate of stockpiling would probably, on these assumptions, make it possible to meet the real consumer requirements.

B. PIG-IRON

In consequence, *inter alia*, of the greater number of official holidays (worked by the blast-furnaces but not by the steelworks) in the second quarter than in the first, the relative increase in pig-iron production which might be achieved during the period in question would be slightly higher than for steel and could bring the blast-furnace output of the Community up to 10,900,000 metric tons. A little more pig-iron may be consumed at the steelworks, but the availabilities for the foundries will not go up much, if at all.

The Community's external trade in pig-iron is very small and practically balanced.

C. METALLURGICAL COKE

Of the 11,300,000 metric tons shown in Table I as available, 11,200,000 will be absorbed by pig-iron production (in the ore-sintering plants and the blast-furnaces) and other steelmaking processes. Any small surplus could be used to build up stocks at the works.

D. SCRAP

The forecasts contained in Table II presuppose

- (a) as regards steelworks' own arisings, a continuation of boom conditions, which tend to reduce the volume of this type of scrap;
- (b) as regards internal scrap recovery, seasonal improvements;
- (c) as regards steelworks' consumption, slightly higher tonnages of pig-iron likely to be available in the second quarter.

¹ Ingots and castings, including production by independent steel foundries.

² In crude-steel equivalent.

As against total scrap availabilities of 5,950,000 metric tons, the estimated consumption is 6,650,000 metric tons. In view of the difficulties in regard to imports, it will be necessary to draw on stocks, and all the economy measures prescribed in respect of scrap must continue to be observed.

E. IRON ORE

Estimated availabilities of saleable ore in the Community (5,800,000 metric tons Fe content) will cover 69% of estimated consumption. It is unlikely that stocks, which dropped substantially in 1955 (at any rate at the mines), will be further depleted. A slight increase in imports over the 1955 level may be expected.

TABLE II
AVAILABILITIES AND REQUIREMENTS IN IRON AND STEEL PRODUCTS
AND RAW MATERIALS IN THE COMMUNITY

Second quarter, 1956

	000,000 metric tons
A. CRUDE STEEL	
1. Production	14.1
2. Imports	0.3
3. Total availabilities (1+2)	14.4
4. Apparent internal consumption	12.2
5. Exports	2.35
6. Total (4+5)	14.55
B. PIG-IRON	
7. Production	10.9
8. Consumption at the steelworks	9.85
9. Remainder available for foundries (7-8)	1.05
C. COKE	
10. Availabilities for iron and steel industry	11.3
11. Consumption for pig-iron production ¹	10.8
12. Consumption for other purposes of iron and steel production	0.4
13. Total (11+12)	11.2
D. SCRAP²	
14. Steelworks' own arisings	3.5
15. Internal recovery	2.45
16. Total availabilities (14+15)	5.95
17. Blast-furnaces consumption	1.1
18. Steelworks' consumption	5.55
19. Total consumption (17+18)	6.65
20. Remainder to be met from imports or withdrawals from stocks (19-16)	0.7
E. IRON ORE (Fe content)	
21. Production of saleable ore	5.8
22. Consumption for pig-iron production ¹	8.45
23. Steelworks consumption	0.1
24. Total consumption (22+23)	8.55
25. Remainder to be met from net imports or withdrawals from stocks (24-21)	2.75

¹ Blast-furnaces and sintering-plants.

² Exclusive of independent steel foundries.

INFORMATION

Official Announcement by the Government of the Italian Republic to the High Authority concerning the suspension of Customs duties payable on pig-iron entering Italy from member countries of the European Coal and Steel Community, in response to a request from the High Authority under Section 30 of the Convention containing the Transitional Provisions

The Government of the Italian Republic notified the High Authority, in a letter of March 30, 1956, written by the Italian Ambassador in Luxembourg, that it was making all necessary arrangements to extend up to and including July 14, 1956, the suspension of Customs duties payable on pig-iron entering Italy from member countries of the Community, which was due to expire on March 31, 1956.

The system to apply from July 14, 1956, onwards will be decided upon later.

THE COMMON ASSEMBLY INFORMATION

ORDINARY SESSION 1955-56

PUBLIC SITTING, TUESDAY, MAY 8, 1956,
AT 11 A.M.,

AT EUROPE HOUSE, STRASBOURG

AGENDA

In accordance with a proposal by the Committee of Presidents to the Common Assembly, which was adopted at the Public Sitting on Friday, March 16, the first part of the Ordinary Session for 1956, to be held from May 8 to 12, 1956, will open with an introductory statement on the General Report on the Activities of the Community for the financial year 1955-56, by M. René Mayer, President of the High Authority. The President's statement will be followed by a *general debate*.

The Assembly further intends to devote a general debate to the problems of European integration, on the basis of the reports published by the Intergovernmental Committee set up following the Messina Conference. The reports in question will be forwarded to the Working Party, to enable it to prepare the public debate.

It is possible that the Working Party will have completed certain aspects of its work by May, and more particularly a draft report by M. Fohrmann on the function of the political groups in the Common Assembly.

It should be recalled that the Common Assembly has agreed that all reports from the Standing Committees dealing either with the General Report on the Activities of the Community or with special problems shall be dealt with during the second part of the Ordinary Session, which is to begin on June 18, 1956.

Luxembourg, April 13, 1956

THE COUNCIL OF MINISTERS

INFORMATION

SUPPLEMENTAL AGREEMENT to the Agreement of March 21, 1955, on the introduction of international railway through-rates¹

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN COAL AND STEEL COMMUNITY, MEETING IN COUNCIL,

HAVING regard to the provisions of Article 70 of the Treaty of April 18, 1951, establishing the European Coal and Steel Community ;

PURSUANT to the provisions of Section 10, paragraphs 2 and 3, 2 of the Convention containing the Transitional Provisions, concerning the introduction of international through-rates ;

HAVING regard to the Agreement of March 21, 1955, on the introduction of international railway through-rates ;

HAVE AGREED AS FOLLOWS :

Article 1

Section 3 of Annex II to the aforementioned Agreement of March 21, 1955, shall be amended by adding a further paragraph reading as follows :

“ Notwithstanding, up to and including April 30, 1959, the limit ratios for the Italian mileage rates shall not exceed the value of the Italian national limit up to

- (a) 500 km. from May 1, 1956, to April 30, 1958 ;
- (b) 700 km. from May 1, 1958, to April 30, 1959.”

Article 2

The aforementioned Agreement of March 21, 1955, shall be amended by adding an Annex III reading as follows :

“ ANNEX III

TO THE AGREEMENT OF MARCH 21, 1955, CONCERNING THE INTRODUCTION OF INTERNATIONAL RAILWAY THROUGH-RATES

Consignments of coal and/or steel carried direct over connecting sections of the railways of two or more member States,

—from a third State to a member State of the Community,

—from a member State of the Community to a third State,

—from a third State to a third State in transit across the territory of one or more member States,

shall be covered, in respect of their journey through Community territory, by the provisions of the Agreement.”

Article 3

The text of the present Supplemental Agreement, as recorded in the Minutes of the Council's deliberations, shall be published in the Official Gazette of the Community.

The present Agreement shall come into force on May 1, 1956.

¹ This Supplemental Agreement was concluded at the thirty-first session of the Council on March 16, 1956.



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