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NEW EUROPE:
Unity for Expansion

NEW YORK

April 10, 1956

AN ADDRESS

delivered by

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of the European Coal and Steel Community
before a Meeting of the Joint
Netherlands and Belgian Chambers
of Commerce in the United States
at the Waldorf Astoria, New York City
on April 10, 1956 *

I am honored to be here before this distinguished group today. It is a particular privilege for me to speak with businessmen such as yourselves who know Europe intimately and who are able to contribute greatly to the understanding of its problems within our Atlantic Community of free nations.

This afternoon, I would like to talk with you about a new Europe that is in the making. As you have followed political and economic developments in Europe over the past few years, you have seen, not one but a whole series of efforts made to achieve greater unity among the free nations of Europe. The failure of the European Defense Community

* To shorten the speech, the passages in italics appearing on pages 9, 11, 13, 15 and 18 were not actually delivered

Plan in August, 1954, was a severe shock to all of us. But it should not be inferred from this event that European integration has failed or even that the movement toward integration has been halted. On the contrary, particularly in the economic sphere, outstanding results have been achieved and more are now in prospect. I wish to tell you something about these achievements. Later I shall consider with you the impact of economic integration upon the unification of Europe.

It is really not surprising that the line of least resistance to a united Europe should run through the economic field. I find it is much easier to get businessmen and labor leaders together around one table — or at the most, two tables — to work out what should be done in their common interest, than it would be with any other group. I am sure this must be so in the New World too.

Nor should I neglect to mention that the efforts now going on in the field of economic integration originated in Benelux. We, of the Benelux nations, can take justifiable pride in the tremendous economic strides made through our Customs Union in the past ten years. You would not find many people in any of the three countries who would deny that the Benelux Customs Union has done much to raise the standard of living in our nations, a standard which is, in fact, one of the highest, if not the highest, in Europe.

However, I would like now to discuss the experience and the achievements of the European Coal and Steel Community in the past three years. While doing so, I hope you will bear in mind that the Schuman Plan means far more than the creation under common institutions of a single market of one hundred and sixty million consumers of coal and steel.

For us, it is and always will be the first step toward a United States of Europe.

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In 1952, France, Germany, Italy, and the three Benelux countries — the Netherlands, Luxembourg and Belgium — ratified a treaty which grew out of a plan proposed in 1950 by Robert Schuman of France, to set up a common market for coal, steel, iron ore and scrap among the six countries. This Common Market, in which all obstacles to the free flow of trade were abolished, is governed by an independent political power. Like the Federal Government of the United States, it has an executive arm — the High Authority — a Court of Justice and a Parliamentary Assembly. Besides these three traditional democratic institutions, there is a Council of Ministers, whose task it is to co-operate with the High Authority in harmonizing the economic policies of the six governments with the policy of the High Authority.

It may be that you do not altogether appreciate the importance of the Common Market because it is limited to only four products: coal, steel, iron ore and scrap. Yet these four products represent no less than a quarter of the total value of the trade between France, Germany, Italy, the Netherlands, Luxembourg and Belgium. That is to say, if our countries were to set up four Schuman Plans, we would have a Common Market for all trade between the six countries.

What are the results of the Schuman Plan today?

Obviously, the first thing anyone expects from a common market is an increase in trade between the member countries. I should like, therefore, to give you four significant round

figures which are easy ones to remember. The increase in the volume of the trade between the six countries from 1952 to 1955 was approximately 30% for coal, 30% for iron ore, 200% for steel, and 300% for scrap.

In the early days, it was feared that some countries would be the gainers and others the losers in a Common Market. But it did not work out that way at all. Whether a nation produces or consumes coal, steel, iron ore, or scrap, each one of our six countries has gained by the Common Market.

It is true that favorable economic conditions did bring about an increase in over-all trade between our six countries from 1952 to 1955. Therefore, it has been maintained that this trade increase in coal and steel could not be ascribed to the existence of the Common Market. But this is easily refuted by looking at the figures. From the first half of 1952, that is, before the introduction of the Common Market for coal and steel, to the first half of 1955, the over-all value of the trade between our six countries went up 45%, but for the four Common Market products it went up 70%! This increase was achieved despite the fact that freight-costs on these bulky community products are exceptionally high in proportion to value.

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So far, I have sketched the effects of the Schuman Plan upon intra-Community trade — that is, trade between the six member nations. In addition, we have found that a single market encourages more competition and thereby more investment — stimulating productivity and contributing to an increase in the standard of living. We all know that without

the stimulus of competition, a market economy will suffer the most dismal after-effects, in the form of slackness and stagnation.

The very considerable increase in trade, which followed the abolition of trade barriers, has brought about a very substantial increase in competition among community products.

Even among those of us who looked for great results from the Common Market there was astonishment at the swiftness with which the intensification of competition produced a considerable increase in investment. Since early 1953 when trade barriers were abolished, investments in various sectors of the Community's industries have gone up from 50 to 200 per cent.

Between 1952 and 1955 the total amount invested in the iron and steel industry over the six Schuman Plan countries rose by nearly 50%. Because of the intensive investment effort that had already been made in France, the advance in the field of coal since 1952 has been less marked than in the iron and steel industries. The total amount invested in coalmining rose by 15%. In Belgian mines, however, coal investments went up 50% between 1950 and 1955, and German coal investments increased by more than 200% during the same period.

With this increase in capital investment has come increased productivity in the Community's industries. Certainly productivity is the key to higher living standards in a modern industrial economy. Therefore, another lesson to be learned from our experience is that by establishing a climate of competition it becomes possible — because it becomes com-

mercially necessary — to increase investments, boost productivity, and thus contribute to higher living standards.

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Some people have suggested that the Community fortunately started under boom conditions, and consequently it has yet to demonstrate whether it is capable of surviving in hard times.

This is not so. In 1953, there was an incipient recession in the United States, and slight economic down-turn in Europe. But then there came something completely unexpected — unexpected because it had not happened for thirty or forty years: the revival started first in Europe, in the spring of 1954, and did not reach the United States until after trade in Europe was already in full swing.

One cannot very well point a final moral, for our experience is still too slight. But it does seem reasonable to hope that economic expansion will become more stable as the risk of any return to protective measures by individual countries is eliminated.

Imagine the risk of economic collapse to which the United States would be exposed if, at the slightest breath of recession, each of the forty-eight states exported its difficulties to the other forty-seven by imposing heavy restrictions such as customs duties and quotas and restricting the movement of labor. Obviously, the threat of such measures would hold back industrial growth, new investment, productivity, and trade.

Yet Europe has been living under these conditions for several decades. Changing them is one of the great advantages of economic integration. No country today should delude itself that it can benefit by shifting its problems onto somebody else.

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Perhaps the next question is whether we can regard the economic integration of Europe as a key to general European union.

There have been long discussions in Europe as to whether economic integration should be preceded by political integration. It was held by some that economic integration could not succeed unless there was a process of political construction at the same time; but experience has shown that economic integration is perhaps one of the best ways of bringing people closer together to work on a common task and develop favorable conditions for political unity.

It is a rather remarkable fact that when the Dutch, the Luxembourgers and the Belgians wanted to emphasize the historical element common to all three of them, they used to have to refer to themselves as "the Spanish Netherlands" — that is, to go back to the sixteenth century. Formerly, there was no other way of describing the three countries which are now known as "Benelux".

For instance, in the Coal and Steel Community, Ministers of Economic Affairs, Transport Ministers, and the Labor Ministers of our six countries meet regularly to deal with the very real and practical problems presented by the operation of the Com-

mon Market. The operation of the Common Market also provides opportunities for contact between hundreds of businessmen, labor union leaders, research workers and scientists who meet regularly to consult with and advise the High Authority and members of our Parliamentary Assembly.

By way of example, let me tell you about an ambassador from one of the Asian countries who recently asked me what the political *reapproachment* between our six countries really amounted to. I answered that war between our six countries was now unthinkable. Because the Asian diplomat expressed some astonishment, I asked a leading Italian, German, Frenchman, and Luxembourger their opinion. They all agreed that a war between our six nations was no longer within the bounds of possibility. I do not know if we were able to convince the ambassador but we ourselves are convinced that relations are fast improving among the peoples of Europe who, in the last forty years, started two world wars.

I think we can say with assurance that economic integration is a major key to greater unity.

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Another very significant lesson we have learned from the experience of the Schuman Plan is that if unity is to be achieved, there can be no turning back on the road toward integration. Suppose that the Coal and Steel Community had not been created by a treaty binding on all parties for a period of fifty years. In that event, neither political leaders, businessmen, nor labor representatives would have been willing to take the necessary steps for adaptation and retraining, rationaliza-

tion and expansion which, to be effective, must be irreversible. You cannot enter a common market with a one-way ticket and keep the return portion in your pocket — in case you change your mind.

We in Europe will never, in the long run, achieve anything like full employment unless we give private enterprises guarantees that their markets will never again be arbitrarily closed to them, whether times are good or bad.

In the economic world of today, it takes on the average twenty thousand dollars' worth of investment to provide a job for one workman.

And, if we cannot achieve and maintain a satisfactory level of employment, I am certain that in competition with the totalitarian countries we shall be unable to convince our men and women in free Europe that our system, the system of private enterprise and competition, is the best.

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The next requisite for unity in Europe, as demonstrated by the Schuman Plan experience, is that there must be an executive body with real powers balanced by institutions of democratic control.

The Schuman Plan has shown that very often it is the executive body which is the driving force in any advance, whereas the governments in their absorption in home politics have not always either the time or the means to push ahead. Real integration needs an executive body with real powers. This

leads us to the dispute between the advocates of unity via co-operation and unity via institutional integration. I should not be giving a fair picture if I were not to mention the good results achieved over the last few years by international co-operative organizations like the United Nations, the Organization for European Economic Co-operation, and the European Payments Union. The O. E. E. C. has undoubtedly done a great deal for the liberalization of trade in Europe since 1948, and the E. P. U. (with the vital contribution by the U. S. A.) has considerably encouraged the movement of products.

We cannot afford petty squabbling over the relative merits of different methods of economic integration and co-operation. Where integration is impossible, you have to make do with co-operation, but wherever integration is possible, then it is imperative to have integration. The co-operative organizations are severely hampered by the rule of unanimity. This "escape clause" enables any nation to retreat behind the protective barriers of nationalism if majority interests conflict with national interests. On the contrary, in institutions of integration, such as the Coal and Steel Community, there is no veto on behalf of a member government. Decisions are made in the common interest for the common good; indeed, the nine members of the High Authority are forbidden by the Treaty to represent particular member states. In the last three years, each of us has been in the minority at one time or another. Certainly the world of today is far too complicated to expect unanimous decisions on all occasions. In our own experience, we have seen that by allowing member governments the power of veto, it frequently exposes them to all kinds of pressures at

home which they are not always politically strong enough to resist in their own parliaments.

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May I give you an instance from my personal experience? I am convinced that subsidies to private enterprises are anti-economic, and in the long run, anti-social, yet I was once induced to grant some, under pressure from parliamentary representatives from all three major parties in my country. What an advantage I would have had then as Minister of Economic Affairs if there had been a fifty-year treaty forbidding this action and compelling us to seek out constructive solutions instead of merely introducing palliatives.

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But what of the future? Shall we be able to push on toward a great single market for Europe or shall we fall short of the goal of unity which appears to be our only salvation? Remember that in a cold war or in a not-so-cold war, our systems will ultimately be judged by what they achieve economically and socially.

It has been properly said that Europe today stands at a crossroads. Perhaps this year — 1956 — will determine the future course of Western European history. This month the foreign ministers of our six Community nations will examine far-reaching proposals to extend the area of economic integration. No doubt you have read a good deal about these new plans in your press. Perhaps the best-known is "Euratom", a plan which would do for a peaceful development of nuclear energy what has already been done for coal and steel. The pooling of Europe's future nuclear energy resources is a

very real problem for Europe because of the forthcoming shortage of power. After three years of industrial integration, we find that we had seriously underestimated the enormous appetite for energy on the part of our newly-dynamic economy. If we consider the possibilities of making Euratom, we realize that obstacles facing its achievement are not nearly as formidable as those which arrayed themselves against the creation of the Coal and Steel Community. There are not yet vested interests in the control or ownership of fissionable materials in Europe or in the production of power by nuclear means. Nor do the complex problems of industrial and social adaptation burden its future. It is also significant that here is a sector of the economy not yet barricaded by nationalism. I attach great importance to the success of Euratom. We do not want Europe to become, some day, what a countryman of mine has described as an underdeveloped area of the world. We are determined, one way or another, to harness the great new forces of atomic energy for the economy of Europe.

The second proposal is to win agreement among the six nations to extend economic integration in the manner that it has been done for coal and steel to the entire European economy. Of course we know, and we have certainly learned from our experience with the Community, that such a bold step cannot be taken overnight. The proposal envisages the gradual coming into being of a single market through the progressive elimination of trade barriers and restrictive practices over a transition period of from fourteen to sixteen years. It would require complete convertibility of the currencies of the participating nations. It would mean the creation of a large European investment fund to provide

capital at low rates of interest to enterprises in order that they might re-adapt themselves to conditions of free competition within a continental market virtually the size of your own.

I am sure you realize the obstacles that stand in the way of this plan, many of them real, not a few imagined, but none of them impossible to surmount. Some of the more typical obstacles that a European Common Market would face are similar to the obstacles that we have been facing, and overcoming, in the Coal and Steel Community. For one thing, national administrations hesitate to surrender portions of their traditional powers, and such a surrender is often misinterpreted to imply abandonment of national culture or pride. However, as a patriotic Belgian, I am confident that we in Europe can find institutional means of coping with the needs of twentieth century economics without encroaching on what you would call "states' rights".

Among businessmen, too, we find the natural human opposition to drastic alterations in the conditions under which they live and work. They do not always realize that the conditions they wish to preserve are frequently detrimental to their own interests, as well as to the broader common good.

Businessmen, also fear state intervention and regimentation. As a firm advocate of free enterprise and private initiative, I can testify that the Coal and Steel Community has not given rise to such fears.

I do not mean that the Schuman Plan Treaty does not contain certain regulations which apply to business activity. For one

thing, it contains Europe's first effective anti-cartel laws, which have upset some habits of restrictive commercial practice in the industries of coal, steel, iron ore and scrap. The Treaty also contains provisions and rules barring discrimination on the basis of nationality between buyers or producers in comparable situations. These provisions are buttressed by certain requirements of disclosure, such as the publication of price schedules. Regulation of this kind, familiar to an American audience, is, in Europe, sometimes confused with regimentation deliberately or in error. And then there are, of course, some people who want to shape the Europe of 1956 after a pattern on which Europe could have been made in 1880.

Much of the criticism of the Coal and Steel Community has been directed not at the things we have done but at the very existence of the powers conferred by our Treaty. Naturally the Treaty vests the High Authority with a number of far-reaching powers that any governmental institution has to possess these days, such as the right in certain circumstances to fix ceiling prices, to introduce quotas and priorities, and so on. But what use has been made of these powers? Far from inhibiting private initiative, we have taken an enormous stride towards bringing the coalmining and iron and steel industries back into the market economy.

These industries were eased out of it — the coalmining industry in particular — twenty years ago or more, and the result was that the coalmining industry languished, so that after two or three years of industrial expansion, Europe found itself short of coal.

Within the last three years, however, the High Authority has done away with all existing instances of state intervention. There used to be maximum coal prices in the Netherlands, in Germany, in France — they have all gone. There used to be arrangements limiting steel prices in the home market in Germany, France, Belgium and the Netherlands — they have all been jettisoned, too.

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There are many people in our countries who would like the American standard of living, but do not want to change anything else. Bit by bit, we have got to convince them that if we go on working the way our great-grandfathers did, we can only expect to have their standard of living — maybe a bit higher, because of technical advances, and maybe a bit lower, because of diminishing returns. Despite these exceptions, we have the satisfaction of noting that the younger age-groups are definitely more inclined to favor European integration than their elders. The future is on the side of European unity and unity is our future.

It is inconceivable that in the long run we should not set up a common market within which men, money and merchandise will move freely. It may take time, but the day will come when we shall have a common market in Europe. And that common market will help to bring about the United States of Europe.