

ADDRESS OF JEAN PICARD, PRESIDENT,
Association Technique de l'Importation Charbonniere, Paris,
To Luncheon at the Annual Meeting of
The Coal Exporters Association of the United States, Inc.
Chicago, Ill., June 5, 1958

Mr. President,

Gentlemen:

I wish to express my very sincere thanks to you all for having invited me to the present meeting and giving me the rare opportunity to find myself today among such distinguished representatives of the American coal industry. I deeply appreciate the honor thus conveyed to myself, my Organization and my Country.

To your President, Mr. John Routh, I am particularly grateful, and as he certainly is as good a President to your Association as he has been a kind host to myself, I can only congratulate you on your choice.

I enjoy being once more in your country with which I have been acquainted for so long. When I left France last Saturday, my pleasure was somewhat dimmed by the circumstances then prevailing in my country. I hope now the worse is over, that the dark clouds in our French skies will soon have drifted away.

However, it would have been much more pleasant to find myself among you if the present climate of our coal relations was still what it was a year ago when much larger tonnages of American coal were required by European countries. It is no mystery that the situation has altered. We cannot ignore the fact that the European demand has significantly dropped and that stocks are piling up at the European mines.

At the end of April 1958 these stocks had reached, for the whole of the Community, a peak of over 15 million tons, against 12 million in March and 10 million in February.

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Of course, the situation varies from one country to another. Belgium is probably the one to have been the most deeply affected; Germany itself is presently faced with a problem which, even though not quite as serious, still requires close attention. Maybe France has been up to now the country where these difficulties presented the least concern. The reason for that might very well be found in the French organization itself. In our country, we periodically endeavour to determine the importance of our needs, the internal resources on which we can count, including those of the Coal and Steel Community. On that basis, we calculate the amount of imports necessary to cover our total needs. The purchasing of imported coals being, as you know, entrusted to a single organization, A.T.I.C. which, since 1945, has imported from this country 60 million tons.

Of course, we do not intend to pass judgment on the methods of other countries which leave to the individual importers the responsibility of purchasing from foreign countries without any central planning. This explains why we do not feel very happy when the importers of other countries, faced with some difficulties in disposing of their surplus of American coals on their own market, pretend to divert these coals to France. Doing so, they would upset the balance reached, making more difficult the fulfillment of our own commitments. I do not doubt that the suppliers themselves are interested to know that the coal sold is actually intended for the country for which it has been bought.

Taking into consideration the present difficulties in Europe, you will not be surprised to hear that certain persons wonder whether we have reached a turning point in our European supply policy and whether the demands of the Community countries upon other countries will not cease entirely, and only be a remote remembrance of better times. You yourselves probably ponder over the same question. I am not a

prophet, but I am here to tell you very frankly what I think.

You will remember that the various studies carried out by the specialized organizations on coal requirements over the years ahead, all pointed to a lasting European shortage. I personally believe there are no new and valid reasons to question these conclusions, it being understood however that the European needs will of course show ups and downs in the future.

The best proof I can give you of my conviction is the decision we took to set up a company for the purpose of building nine vessels. The size of these vessels shows the confidence we have in the future of American exports to France. The first of these vessels will make her maiden trip in 1959. I wish to recall what the Director of the Marketing Division of the High Authority said to some of you in Luxemburg in November 1957:

"The Community Countries will have to import, in 1965, 47 million tons from "other countries; 42 million tons in 1975".

Although I am reluctant to quote myself, I would like to state again what I said in 1950 before a Convention of French coal dealers and which, at that time, appeared rather controversial:

"It has been decided to reequip Europe. It has been decided to do so at a "very fast pace. The development of European activity means increased consumption "of coal. The question is to know whether it will be possible to find, in Europe, the "quantities of coals necessary to work out this plan. As for me, I do not believe it "will. We are faced with the following alternative: either the equipment plans drafted "for Europe will have to be revised, or the European coal availabilities will be

"acknowledged as insufficient and it will be necessary to find other sources of supply. It then seems that there is no other means than to apply to extra-European sources, which can only be the United States of America".

When I said this, I could have been accused of overlooking a possibility in which many believed at that time and still believe: the possibility of an increase in European production such as to match the increased demand.

Those among you who took part in international conferences will certainly remember that this argument has found many supporters over the years and, at times, was even endorsed by American officials. We heard them say: "Europe must make the necessary effort to be self-sufficient".

I would hate to discourage anyone, but one should keep in mind the problems raised by the development of production to such a level. I even wonder if it is desirable to reach this goal. I feel that closed economy, or national self-sufficiency, whatever you call it - does not give enough consideration to the necessity of promoting production where the output costs are the lowest and presents for the future considerable social risks since any decline in consumption has an immediate effect on employment conditions at the mines. I think that the best policy for Europe lies in a middle road and would consist in pursuing a certain increase in production and simultaneously keeping up a reasonable volume of imports - here I particularly have in mind the United States.

I imagine that you are wondering to what extent your Country is going to contribute to cover the European shortage.

You are of course aware of the fact that it cannot be covered entirely by American coals. Besides the Community countries and even the OEEC Countries, there

are traditional suppliers who cannot be bypassed. And this for many reasons, among which the necessity of keeping the balance of their trade agreements. Here I have replied to the surprise expressed by several of our friends when they see us purchasing from some countries of Eastern Europe, products available in the West.

There is, however, room in Europe for American coal. I have always insisted and still insist on maintaining the flow as regular as possible. Incidentally, I feel it my duty to ask you to beware of a fallacy prevailing in Europe: one believes that the American market enjoys a flexibility which makes it possible to ask at any time for tonnages varying from zero to the infinite. It is certainly true that production in this country is much more flexible than production in Europe, but one must bear in mind the statement made in September 1957 by one of your delegates to the Economic Commission for Europe:

"The U.S. Collieries which are interested in export follow the policy which gives them the best means to maintain or increase the productive capacity of their mines. To reach that goal and to justify their current costs and the necessary investments, they have to insure a well balanced operation. Among the best means, we think of long-term contracts and foresight in estimating foreign needs.

"Since there is active competition on the export market, the investments made by the collieries entail a risk, and some of these collieries may not receive the amount of orders corresponding to the money invested to increase production".

Therefore, long-term contracts. I agree to that. However, I must say that the quantities involved should be kept at a level which would enable you to expect faithful performance on the part of the buyers.

More specifically, I ask you to be conscious of the incidence which the existence of the Community may have on the relations between members of the Community and non-member Countries.

I cannot imagine how the High Authority responsible for the Community could, for any length of time, agree to the lay-off of workers in the mines of the Community while imports would be maintained on too high a scale.

This problem is in the minds of European producers who, in the present circumstances, would favor any action on the part of the High Authority tending to cancellation of imports from the United States, or at least to a drastic reduction.

The position which, for my part, I have kept on defending is that it would be a pity indeed if the High Authority, which incidentally has the right by status to do so, should take such a step. I can understand that the High Authority would wish to be informed of the commitments about to be taken in order to make sure that these will not clash with the interests of the mining industry within the Community, but I could not approve of contracts being questioned once they have been concluded.

Should any difficulty arise during the performance of these contracts, I feel that the solution should be found on a commercial basis. I trust that Europe can then rely on the understanding of the American suppliers.

Having acknowledged that there is a market for American coal in Europe, the price problem remains to be studied. Obviously, there are periods of time, such as that of the Suez crisis, when the price level does not significantly affect the volume of coal purchased. Requirements are such that supplies must be obtained at any price.

Indeed, the purchasing countries and France in particular, were unable to oppose the ever increasing claims of the ship-owners who quoted exorbitant freight rates. Some sort of coordination in the chartering, similar to the one agreed upon by the members of the OEEC Countries in 1952, might have prevented such a steep rise of the rates, but endeavours in this direction failed to materialize. You are well aware of the outcome of the situation: this booming period was followed by one of decreasing demand and the freight rates collapsed. I believe that it is in the interest of both ship-owners and users to avoid such extremes.

It is inconceivable to think that the very low freight rates practiced today can in any way compensate the very high rates practiced in other times. In fact these very low rates remain merely theoretical.

Actually the bulk of the demand has been covered at high rates and rare are the happy few in a position to take advantage of the present situation. Nevertheless, this level of the rates itself deeply concerns the European producers who consider that they are no longer faced with normal competitive conditions and there find a ground for opposing continuing imports of American coal.

It is my earnest belief that the competition between American and European coals within the limits I mentioned earlier must be based on freight rates which would ensure normal profits for the ship-owners. Such a competition would be healthy: it would even protect the European consumers against any eventual tendency on the part of the producers to quote excessive prices.

Gentlemen, I thank you for your attention and for this wonderful opportunity to tell you my feeling about our common problems.

I sincerely hope and think that the future will prove our relations to be stable and durable. But whatever this future will be, I shall always remember that, in difficult times, when our country was emerging from the Second World War, we have found here, among you, all the cooperation, goodwill and understanding which one could expect from one's best friend. This has made still tighter the links between you and us. This spirit will undoubtedly dictate our mutual policy for many years to come.
