

UNAMENDED TEXT

European Coal and Steel  
Community

The High Authority

ADDRESSED

by

Monsieur Paul Finet,  
President of the High Authority,  
to the European Parliamentary Assembly

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to the European Parliamentary Assembly  
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The High Authority's statement to you today is intended to do three things -- first, to give the Assembly an overall picture of the difficulties prevailing in the Community coal market, secondly, to outline what the High Authority has been doing to remedy it, and finally to report to you what results the High Authority obtained at the meeting of the Council of Ministers in Luxembourg on October 13 and 14.

Thus in possession of the elements of the problem, the Assembly will be able to form an opinion on the High Authority's work over the past few months.

The High Authority submits this record to you in the firm belief that it has made the best possible use of the means available to it under the Treaty. It is convinced that what it has done and is doing is of considerable help in dealing with the problems which our Community is facing today.

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The present situation in the coal market is undeniably serious. At the same time, it does not, in the view of the High Authority, or in that of those most directly concerned,

amount to what the Treaty terms a "manifest crisis." Community coal has to cope with two grave difficulties, the one caused by the very appreciable drop in overall apparent consumption, and the other by competition both from foreign coal imported under long-term contracts -- some of them concluded as far back as 1956 -- and from fuel oil, which is being used on a steadily increasing scale. The conjuncture of these two factors is resulting in an exceptionally large increase in stocks, which in its turn entails unemployment among the mineworkers and heavy financial burdens on the collieries.

The High Authority has supplied the Assembly with sufficiently full and detailed documentary information to make it unnecessary for me to give you once again the complete balance-sheet of the coal situation.

However, I should like first of all to emphasize that coal imports from third countries have been reduced from 44 million metric tons in 1957 to 31 million for the current year. Of these 31 million, 26 million come from the United States. During a period when economic activity was definitely slack, in 1954, coal imports amounted to only 13 million metric tons, of which 6 million were from the United States.

This reduction of imports has not sufficed to offset the sharp drop in apparent consumption. The drop is 40 million tons for the current year, with no prospect of a substantial unburdening of the Community market through increased sales to third countries, and notwithstanding the fact that Community

consumers have increased their stocks to 22 million metric tons.

This slackening in the market over a period of nine or ten months, in an industry notorious for the rigidity of its production, is responsible for a considerable growth of pithead stocks, from seven million metric tons in 1957 to 22 million in 1958.

As a direct consequence of these mounting stocks, the total number of stand-off days from January to August averaged three and a half for the Community as a whole, reaching a maximum of 12 days in Southern Belgium. The September figures indicate a definite increase in unemployment.

These two sets of figures, for stocks and for unemployment, are all I need cite to give you the present position in the coal market.

However, I have to point out that this deterioration has not been equally serious in all the Community countries: it is confined to two producer countries, Belgium and the Federal Republic of Germany. In these two countries pithead stocks have actually risen in the proportion 1 : 10 since the end of 1957.

Ever since the beginning of this year, the High Authority, realizing the danger inherent in the trend of the market, has been taking action along two convergent lines, endeavouring on the one hand to temper the rules of the market to the maximum extent which the Treaty permits, and on the other to stabilize production and imports.

As regards the market, the High Authority has widened the scope of the option which enabled the producers to align their prices with quotations from third countries, by providing possibilities for alignment as among producers within the Community.

More recently, it gave the three Ruhr coal-selling agencies all facilities for making appropriate commercial arrangements designed to increase their sales.

As regards the stabilization, or maintenance, of production, the Assembly is aware that the High Authority as early as April of this year submitted to the Council of Ministers details of a financing scheme which would have helped the collieries to stock anything up to 27 million metric tons of saleable coal without any miners being put on short time.

With the same object of ensuring a steady flow of production and sales, the High Authority in June authorized the conclusion of long-term contracts by each of the three Ruhr agencies.

As regards imports, the High Authority took action in 1957 to secure exact information as to the tonnages involved by contracts in force for purchases of coal from third countries. To this end it got the Governments to agree to assemble all the relevant facts and figures obtainable, in order to give the producers, the importers and the individual Governments themselves a clear picture of the situation.

Finally, the High Authority and the Governments have made concerted endeavours, in accordance with an agreement reached in the Council of Ministers and with Article 57 of the Treaty, to ensure that the consumers, and particularly by the public services such as the railways, the thermal power-stations and so on, would take regular deliveries of coal.

These various measures were preventive in aim, and calculated, in the High Authority's view, to alleviate the consequences of a serious deterioration in the market quite appreciably. Now, were the difficulties in the market in fact thereby relieved?

As regards stockpiling by the consumers, definite results have been achieved. But I am bound to say that in general the reactions of those principally affected were not in accordance either with the High Authority's expectations or with the requirements of the economic situation. The producers neglected to avail themselves of the wider opportunities for price alignment which the High Authority's decisions had opened up for them. It was not until September that those hardest hit by

the recession introduced greater flexibility into their trading methods, and the High Authority is finding that the system of concluding long-term contracts in respect both of exports and of the internal Community market is being adopted only on a very modest scale.

As for the Governments, they undoubtedly gave very valuable assistance in regard to our efforts to induce the big consumers to take regular deliveries and in assembling the data we needed in order to be fully in the picture concerning the import contracts concluded, but the High Authority can only say once again how much it regrets that they should have rejected its proposal for helping to finance buffer stocks, which it submitted in April to the Council of Ministers.

In this connection, I should like to recall the idea put forward by the High Authority as long ago as 1955, that a Miners' Code should be drawn up to cover all the mineworkers of the Community. I have mentioned to you before now what a pity it seems to us that this suggestion should have met with so little response from the quarters concerned. However, as your Social Affairs Committee is aware, the High Authority has persevered with its scheme, since it is convinced that the adoption of such a Code would be of material assistance in stabilizing employment.

I shall now deal with the proposals which the High Authority submitted to the Council with the aim of improving the situation in the coal market. The Council was not able to meet until October 13, 1958.

The High Authority's proposals concerned production, terms of sale, consumption and imports.

At the conclusion of the debate which took place in the Council, the High Authority was able to record with great satisfaction that it had met with a considerable degree of support and understanding from the Governments, as a result of which agreement had been reached on most of the proposals it had put forward.

With your permission, Mr. President, I shall describe the High Authority's various suggestions, and the manner in which they were received by the Council of Ministers.

In the sphere of production, it was acknowledged that the producers must be encouraged to keep up, and if possible to step up, their efforts to avoid stand-offs by means of various technical devices such as re-arranging holiday periods, advancing off-days and intensifying preparatory work, drifting, maintenance and other operations below ground, so as to reduce the number of immediately productive shifts in favour of shifts devoted to those activities which must precede any increase in actual coal-winning, pending the rise in demand, which it is hoped will ultimately occur.

But measures such as these are, of course, entirely up to the collieries themselves: the collieries have their own financial problems, and neither the High Authority nor the



Governments are entitled to exert anything more than persuasion, with no hint of anything approaching coercion.

The High Authority raised a further problem for the Council's consideration -- the problem of the marginal collieries. It pointed out that certain collieries would need to avail themselves of the possibilities still afforded them under Section 23 of the Convention containing the Transitional Provisions for closing down those pits which were deemed to be permanently uneconomic to work.

As the Assembly knows, the High Authority intends to make extensive use of these possibilities. It was with this end in view, incidentally, that it asked and obtained the Council's agreement to a flexible and expeditious procedure for the implementation of Section 23 of the Convention during the two years following the expiry of the transition period.

As regards terms and conditions of sale, the Governments agreed that it would be desirable to take some action in respect of prices, and also that a very special effort must be made on the commercial side with the definite object of meeting competition from other sources of energy.

The Assembly knows what the High Authority is seeking to do in this field. The High Authority has repeatedly emphasized, and had the opportunity to emphasize once again at the meeting of the Council of Ministers, the importance, in its view, of not allowing imported coal and fuel oil to enjoy more advantageous conditions of competition than are accorded to Community-

mined coal under the Treaty. Some Governments agreed that this was a matter for concern, and stated that they were prepared to amend their legislation accordingly. For the rest, the High Authority is to continue the studies on which it has been engaged for a good many months past on the practical incidence of taxation on competition between different sources of energy.

The High Authority urged on the Ministers the necessity of their respective Governments intensifying their measures to ensure further building-up of stocks by big consumers, and more particularly by the public services. I would remind you that we are here concerned merely with the extension of activities which have been going ahead successfully since last year. Therefore, such results as we may expect to obtain will certainly not be on the same scale as those achieved hitherto. However, the important thing is -- and to this the Governments have agreed -- that these large stocks should at the very least be maintained at their present level.

With regard to imports from third countries, the High Authority urged that the Governments should make it compulsory for importers to declare their purchase contracts and freight charters, giving exact details as to tonnage, grade and delivery date. Although some of the Governments are having some legal difficulty in demanding such declarations, they all expressed their willingness to give the High Authority all possible

assistance in the matter, and to make available to it whatever information they could assemble. This is absolutely essential if we are to be thoroughly familiar with existing import commitments, including freight charters.

The Governments, in particular those of the importer countries, also accepted the High Authority's suggestion that they should take all possible action open to them to induce their consumers to continue throughout the coming coal year buying at least the same tonnages of solid fuels in proportion to their total procurements as they did during the foregoing boom period.

The High Authority asked the Governments to do what they could to reduce the amounts of coal already contracted for which are likely to enter the Common Market in the near future. To this end, it suggested that those concerned in the industry should be got to agree either to a suspension of the obligation to import, or to an extension of delivery dates, or to the stockpiling of imported coal.

The members of the Council agreed to recommend the importers in their respective countries to take the action advised by the High Authority, although they drew attention to the financial problems involved and in particular to the very great difficulty of cancelling freight charters.

The High Authority for its part has got into touch with the American Government. M. Spiorenburg and M. Wehrer had a meeting in Geneva last week with Mr. Dillon, Under-Secretary of State for Economic Affairs in the State Department, and Mr. Kearns, Assistant Secretary in the same Department, who showed a great deal of understanding for our present difficulties.

High Authority representatives will visit the United States in the near future to examine on the spot, in consultation with the American authorities, what can be done.

The High Authority was anxious to obtain certain undertakings from the member States in regard to commercial policy, with a view, in particular, to establishing a regular system of comparing notes on policy. It also expressed the hope that the coal import quotas figuring in the bilateral trade agreements with third countries would be reduced as far as possible. And, finally, it suggested prior contact at Community level should the member States envisage any relaxation of their import regulations.

With regard to the first of these points, the Council agreed that a committee of Government representatives should be set up to assemble for submission to the Council and the High Authority whatever material might be necessary for a regular comparison of imports planned. The other two suggestions, however, were not adopted. The High Authority considers this regrettable; although it is entitled to exercise supervision in the matter of import quotas, under Article 73 of the Treaty, its powers in this respect are not, in its view, adequate to

the present situation.

The High Authority regards it as unfortunate that the Governments should thus hang back in the matter of co-ordinating commercial policy. It would point out that the Treaty of Rome, unlike the Coal and Steel Treaty, binds its signatory States "to co-ordinate their trade relations with third countries in such a way as to bring about, not later than at the expiry of the transition period, the conditions necessary to the implementation of a common policy in the matter of external trade."

Would it not be rather absurd if the Coal and Steel Treaty, which is proving in so many fields to be more truly supranational than the Treaty of Rome, were in this field of co-ordinating commercial policies to fall short of what it is hoped to achieve for other products? Surely it will be an untenable position if in regard to coal, for which the market, as we are now finding, is more sensitive than any other to import fluctuations, the Community is not to have the facilities allowed it by the Treaty of Rome for other products.

This development is especially necessary inasmuch as the High Authority, as it has already emphasized, regards its work in connection with imports as the hinge of the combination which it has to try to effect of dependable energy resources with as economic as possible a flow of energy supplies.

Finally, as regards the financing of coal stocks, the High Authority first of all proposed to the Council that the scheme it had previously submitted at the Council's meeting in April of this year should be revived, namely, the institution of financial arrangements as provided for in Article 53,b of the Treaty. The main feature of this scheme was a special levy on the tonnages of Community coal delivered for consumption, accompanied by a subsidy per ton of saleable coal stocked. The High Authority's new proposal, however, contained the proviso that the subsidy should be payable only on coal stocked over and above the tonnages already in stock as at October 1,1958.

Unfortunately, once again the High Authority's proposal failed to secure the unanimous approval of the Council as required by Article 53,b.

In view of this rejection, it had to point out that the Treaty contained no provision empowering it to take action to meet any request for assistance in financing stocks, and that consequently it could only contemplate doing so by asking the Council to implement Article 95,1. May I remind the Assembly that, according to that Article, "in all cases not expressly provided for in this Treaty in which a decision or a recommendation of the High Authority appears necessary to fulfil, in the operation of the Common Market for coal and steel and in accordance with the provisions of Article 5 above, one of the objects of the Community as defined in Articles 2, 3 and 4, such a decision or

recommendation may be taken with the unanimous agreement of the Council and after consulting the Consultative Committee."

The High Authority feels that as matters now stand, in view of the Council's refusal to agree to the implementation of Article 53,b, it is obliged, in order, among other things, to safeguard continuity of employment, to ask the Council to agree to its using part of the funds now being paid into the readaptation reserve to finance further additions to stocks, as they have not so far to be expended on operations under Section 23. Whatever happens, the amounts concerned would not exceed six to eight million units of account.

This suggestion has been agreed to in principle by the Council, and on November 3 the High Authority will submit to it detailed proposals as to the practical machinery of the scheme and exactly when and how it is to be brought into operation.

Well, Mr. President, ladies and gentlemen, that brings me to the end of the report which the High Authority was required to give the Assembly on the coal situation and the manner in which it is dealing with that situation, so far as its means allow.

It remains for me to stress once again that those means are limited. The present coal situation is the consequence of a downturn in economic activity in the Community.

For five years we have been praying to be released from the shackles imposed on us by the fact that our own Treaty relates only to coal and steel. We hailed the emergence of the Economic Community with enthusiasm. Today we have to congratulate it on its first successes.



An early implementation of those provisions in the Treaty of Rome which make the day-to-day economic policy of each of our countries a matter of interest to all will help to ensure the security of employment demanded by the workers in the industries under our charge. The work of co-ordinating and linking up the economic policies of the Governments will ensure that the process of expanding the European economy goes forward with the steadiness which is so essential to the well-being of the coalmining and iron and steel industries.

The High Authority is itself, of course, doing a good deal to help in disposing of the present difficulties, by making use of all the means available to it under the Treaty. But there is still much to be done, and the success of its efforts depends in no small measure on how much each of our Governments is prepared to do in the cause of European solidarity. It depends on whether our countries, which have stood together in the good years, are today willing to make the sacrifices which are needed in the interests of the Community as a whole, and of its future.

It is to you, your Excellencies, that I turn now, for I know that our objective -- yours and our own -- is still what it has been all along, the economic, and ultimately the political, integration of this continent.

But I tell you that the integration of Europe will not be brought about by simply signing treaties, however excellent, or setting up institutions, however efficient.

The Treaties of which we are the custodians derive their whole force from the solidarity you wrote into them. Without that, they are a dead letter.

The High Authority is relying on that solidarity when it asks you to fall in with the not too exacting requirements of a judicious coal policy of which all our countries should later reap the benefits. All our suggestions are in line with the course which you mapped out for us six years ago, and which you reaffirmed in the Treaties of Rome.

We ask you to follow us along the road which you yourselves first showed us.

We ask that the initial impetus you gave us by putting your names to the Treaties should be followed up by steady, ongoing, day-by-day work, by exertion and sacrifice, sometimes from one quarter, sometimes from another, but all with an eye to the general interest, which transcends the boundaries of any one land.

We appeal to you, Mr. President, ladies and gentlemen, to play your part in this work, a part befitting the first Parliament of Europe.

For the concerted endeavour to ensure sufficient stockpiling and to regularize production, for the Miner's Code, that essential contribution to security of employment, for the necessary co-ordination of commercial policies, we need you and all those whom you represent here.

All these lines of action which the High Authority is pursuing are integral to the Community spirit on whose behalf you are striving both here and in your Parliaments at home; they are part and parcel of the European ideal in which, in the ultimate analysis, is embodied the future of us all.