

ADDRESS BY THE PRESIDENT OF THE HIGH AUTHORITY
TO THE EUROPEAN PARLIAMENT - *FINET*

April 9, 1959

It is an established tradition that when the General Report on the Activities of the Community is laid before you the President of the High Authority devotes his address to a statement of general policy.

Normally, the present High Authority is not the one which would have given the House that statement. Its term of office expired on February 10. It had undertaken to pass to you such observations as its six years of office seemed to it to indicate. This it has done in its introduction to the General Report which is now submitted for you to debate.

We have there drawn attention to the main conclusions emerging from work which has been concerned successively with the problems of boom and of recession conditions in the special market for those two basic raw materials, coal and steel.

We have particularly stressed the extreme sensitivity of

the industries in our charge to general market conditions, the problems that arise where integration is confined to two sectors of the economy only, the need to co-ordinate commercial policies, the pressing necessity that action be taken which shall have due regard to the social and human aspects of the situation, the attitude -- and, if I may say so, the national reflexes -- of the Governments and of those most directly concerned, and the decisiveness, as well as the limitations, of the work of a supra-national executive. I propose not to enlarge on these general considerations, but to give you a concrete illustration of them, by describing to you direct what we are doing to cope with the present situation in the coalmining industry.

During the past twelve months the Community's economic position has been dominated by the continuance of the recession which has now for close on two years been affecting economic activity not only in our six countries, but throughout the Western world. The persisting recession in conjunction with certain special circumstances, and more particularly with the difficulties being experienced in regard to structural adjustment in the coal sector, has brought us to the situation we are in today, a situation which I should like first to outline to you before I go on to tell you what we are planning to do to remedy it.

Community production in 1958 remained at much the same level as in previous years, approximately 247 million metric tons. During that time, total demand for internal and external consumption declined by 30 million tons -- that is, by rather more than 10%. Imports from third countries were cut by 13 million tons, but being at the same time encouraged by the abnormally low level of transatlantic freight-rates they still totalled 31 million tons. The number of shifts worked was very considerably reduced, by as much as 7% -- a figure indicative in itself of the seriousness of the problem. Nevertheless, production did not fall, owing to increased productivity.

In consequence, there has been an accumulation of producers' stocks amounting to 17 $\frac{1}{2}$ million tons of coal and 5 million tons of coke, bringing the total to 28 million tons. To make matters worse, consumers' stocks are also exceptionally high, totalling 20 million tons. And the mild winter, following on another equally mild, has brought about an appreciable drop in consumption in a number of sectors.

The only exception is the thermal power-stations: as the first few months of this year have been very dry, the hydro-electric stations have suffered, and the thermal power-stations have accordingly stepped up their purchases considerably and will probably continue doing so in the coming months.

Last but very far from least, it is becoming more and more evident that the substitution of fuel oil for coal is progressing much faster than could have been generally foreseen, more particularly owing to the fall in freight-rates. Community coal is thus in a peculiarly difficult competitive position.

That is the situation as it now stands, and if during the coming year production were maintained at its previous level, and the imports initially planned did in fact materialize, and the producers' and consumers' present accumulations of stocks -- a continuing cause for apprehension -- were thrown on the market, the result would be a very considerable rise in unemployment, which would make the situation altogether intolerable.

I have already had occasion, at the October, December and January Sessions, to tell the Parliament of the representations made by the High Authority to the Governments of the member States with the object of inducing them to co-operate more actively in the matter, and of the indirect action which we have been urging that they take, in order to cope with our difficulties.

I also told you that if the situation were to demand more direct action the High Authority would not hesitate to have recourse to the means open to it under the Treaty.

Well, either the indirect measures we advocated have not been adopted by those concerned, or they have not been applied with sufficient thoroughness, or they have not produced the results hoped for. It is now clear that indirect measures are not enough to meet the situation.

In point of fact, the effectiveness of such measures must obviously depend on continuity and foresight in the implementation of the common policy required for the satisfactory operation of the market.

Anyhow, the situation being what it is, something has got to be done about it. The High Authority has felt compelled to draft and propose to the Council of Ministers an overall programme to deal with the crisis now prevailing in the coal-mining industry of the Community.

This programme is based on two fundamental premises:

- the measures it provides for must be pan-Community in character;
- they must contribute to the reform and improvement of the competitive capacity of the Community coal-mining industry.

It provides for simultaneous action

- (a) to reduce imports
- (b) to freeze stocks at their present level
- (c) to regulate production, and
- (d) to maintain the income level of the labour force.

To introduce these measures, it will be necessary to invoke the provisions of Articles 58, 74 and 95 of the Treaty, for reasons which I shall now go on to explain.

With regard to the reduction of imports, it has been suggested to the High Authority that quantitative import restrictions should be imposed, without recourse to measures under Article 58 in connection with production. The High Authority has also been urged to issue a recommendation to all the member States to introduce Customs tariffs coupled with duty-free quotas, along the lines of its recommendation to the Federal Republic of Germany in January.

The High Authority felt unable to adopt these suggestions, as it considered that any action designed to restrict imports at the present juncture would be legally justified only if it were accompanied by the implementation of the provisions in Article 58 on production.

This view taken by the High Authority as to the legal position is further strengthened by certain political considerations.

By the terms of the waivers obtained by the Community from the General Agreement on Tariffs and Trade, it is not allowable to introduce import restrictions -- which are permitted only as a measure to counter certain specified situations -- unless the Community is prepared to take in respect of its own production the action open to it under the Treaty to counter the same situations.

And if the entire Community were to do this, would it not be exposing itself to very serious complications, in the form of retaliatory measures affecting its whole economy?

Moreover, the recommendation to the Government of the Federal Republic in January was issued only in consideration of the exceptional circumstances then prevailing in that country, with the object of facilitating the cancellation of contracts concluded by German importers. These points do not apply elsewhere in the Community. Besides, if such a measure is to be effective, the tariff imposed must be prohibitive, producing exactly the same effect as the introduction of quantitative import restrictions.

If the High Authority were to resort to such a proceeding, it would be laying itself open to accusations of abuse of power. Critics might say that it had only acted in this way so as to evade the Treaty's categorical provisions on the subject, as contained in the last paragraph of Article 74: quantitative restrictions on imports are allowed only under Article 74,3, that is, only in conjunction with the measures provided for in Article 58.

On these various grounds, therefore, the High Authority felt that no measures could be taken in regard to imports unless simultaneous measures were taken in regard to Community production.

This is the only way open to us, as matters now stand, of carrying out this reduction by means of a co-ordinated import policy, which is essential to the balance of the Community. We may consider it regrettable -- I refer you once again to the general points made in the introduction to the Report -- that only when a crisis supervened could such a co-ordination of commercial policies begin to be seriously contemplated. But we must trust that what we are now doing will be the start of a policy marked by the proper "continuity and foresight" in this field. It is our intention to hold consultations with the Governments to this end.

The second measure which the High Authority is proposing to the Governments is the freezing of stocks at their present level. Unloading of stocks is a possibility which cannot be ruled out in the existing circumstances. It might need no more than that one producer country, indeed one enterprise, of the Community should decide to dispose of its stocks, for the example to be followed thick and fast all over the Community, until the coal market finally collapsed altogether, with all the disastrous social consequences which that would entail.

Now the Treaty provides for no procedure whereby stocks may be pegged at a given level. On the other hand, Article 58, which relates to the regulation of the enterprises' rate of operation, requires, if it is to be in the slightest degree effective, that stocks sold should be treated as enterprises' normal production.

It is therefore essential that Article 58 should be

invoked for the purposes of the overall programme.

As regards production, the High Authority would repeat once again that its object in invoking Article 58 is not to institute rigidly uniform production quotas. Its object is, by means of a flexible and suitably differentiated regulation of the enterprises' rate of operation, to restore the balance of the market, while at the same time doing its best to expedite the essential work of getting the Community coalmining industry on to a sounder basis. In this way the efforts on which we are now engaged fall into place as part of a general energy policy.

Nor is it our object by implementing Article 58 to spread over the whole of the Community the difficulties now being experienced more particularly in certain parts of it.

Measures to regulate the rate of operation of the Community enterprises are only genuinely effective and valuable for the future of the Community as a whole if by the very fact of enabling the most successful enterprises to maintain a normal rate of operation they concentrate the necessary lowering of production on the definitely uneconomic enterprises -- which pay their workers poorly and are retrograde elements in the development of the Community -- and thereby discourage their continued exploitation.

But such a course of action can be borne by the workers only if they are afforded all protection against possible damage to their interests. Accordingly, the High Authority deemed it advisable to propose to the Council, as the fourth and last item on its overall programme, that the income level of Community miners be maintained.

To provide the men in the event of unemployment with the guarantee of an income as near as possible to their regular wage, the High Authority considered various possibilities, from the straight guaranteeing of a specified monthly level of pay to the granting of a daily supplement to the unemployment benefit payable under the laws of the individual countries.

In order that Community miners thrown out of work, in whatever country, should benefit equally from the Community's contribution, the suggestion finally adopted by the High Authority was that they should receive a supplementary allowance amounting to 20 % of their regular wage. This proposal has already been unanimously approved by the Council of Ministers in respect of miners in Belgium, although the payments are to be limited both in duration (two months) and in total amount (two million units of account).

This guaranteeing of income appears to the High Authority to be essential if the industry is to preserve a labour force which is becoming more and more difficult to recruit, which requires exceptionally careful and costly training, and which experience has shown to be very necessary indeed to the Community in normal times. The workers cannot and must not be expected to bear the brunt of the particularly marked fluctuations characteristic of the coal sector.

These then, Mr. President, ladies and gentlemen, are the proposals which we shall be working out in detail at the next meeting of the Council of Ministers on May 4.

The High Authority has not erected this scheme into a doctrine. It is perfectly prepared, as it has told the Council, to examine any other constructive plan fulfilling the two basic criteria of respect for the Community and radical reform of the Community coalmining industry which would deal effectively with the difficulties I have described to you. It has, however, to record that no other suggestions or plans have been put forward which could usefully be followed in place of its own.

The recent meeting of the Consultative Committee was especially indicative in this connection. Some members considered the sole possibility to be to slash imports, others contended that only production cutbacks would be genuinely economic, while others again advocated a return to compartmented national markets. None of the suggestions so far offered constitutes a positive overall approach in conformity with the spirit of our Community and the undertakings entered into by the member States when they signed the Treaty. Indeed, the view was even expressed that the Treaty does not provide us with the means to overcome the present crisis. However, it does. And the action it empowers us to take is of a sufficiently flexible nature to cope satisfactorily with our difficulties.

Mr. President, ladies and gentlemen, a process of integration, a process of unification is largely a process of persuasion, even in the case of a Treaty freely signed and of surrenders of sovereignty voluntarily agreed to.

That is why we have striven first and foremost to win over all those concerned, to induce them to forgo the sectional and mistaken expedients to which they were tempted to resort, and adopt more constructive attitudes better in line with the interests of the Community as a whole.

We are convinced - and the atmosphere which prevailed at the last meeting of the Council of Ministers confirmed us in our view - that our efforts of persuasion have not been wasted, and that progress has been made. We have thus good grounds for hope. We have, at any rate, the knowledge that we have left no stone unturned, that we have done everything humanly possible, to ensure that the ultimate outcome of the present crisis in the Community shall be a further advance in the work of European construction to which we are all dedicated.

Before I leave the subject of the coalmining industry, I have to give you an account of our problems in connection with the selling agencies.

The three years that have passed since we issued our authorizations to the three Ruhr coal-handling agencies and to Cobechar have shown us that the methods employed by these bodies are not now the best suited to a coal market in a state of flux.

The introduction of the Common Market was in itself sufficient reason for a remodelling of the agencies as they then existed, particularly those in the Ruhr. Today, with the old system of compartmentation into national markets already gone, the near monopoly enjoyed by the coalmining industry as a source of energy supplies is going too. The structural alterations involved by the very institution of the Common Market, the adjustments needed as a result of greater dependence on imports, the changed reactions induced by increased competition from oil products - all these determining factors in the present situation demand an immediate rethinking of marketing methods for Community coal. It is in the context of these changes

that we must view both the decision which the High Authority has already taken regarding the Ruhr agencies and the decisions it will be taking regarding other coalfields in the course of the next few months.

As regards the Ruhr, the fact that the High Authority has decided not to keep the inter-agency organizations in being beyond March 31, 1960, and is thinking of maintaining the three agencies themselves only up to March 31, 1961, is not due solely to the infringement of the terms of their authorizations by the agencies and their joint organizations. The High Authority's decision was dictated, over and above the legal considerations involved, by the experience gained in the matter, by the changes which the new structure of the coal market is involving, and, in particular, by its conclusion that the methods at present employed altogether stultify any attempt to balance employment. The High Authority has found that at times when the market is slack the fact that coal no longer holds the monopoly as regards energy supplies, and that consumers can use other sources of energy instead, enables buyers in practice to choose their colliery. Consequently, the whole machinery set up to ensure balanced employment has been reduced to a few small-scale transfers of orders and compensatory payments from one colliery to another, while the system does not in itself suffice to prevent glaring inequalities among individual workmen as regards unemployment.

The High Authority therefore hopes to discuss this social aspect without delay with those concerned, as it considers the matter to be of fundamental importance to its policy in regard both to cartels and to the coal sector in general.

The High Authority is anxious that the measures to be introduced in the Ruhr shall genuinely make for continuity of employment, or alternatively for the maintenance of the workers' incomes. It hopes that proposals will be forthcoming to provide the men more effective safeguards against unemployment and loss of income, whether with the idea of arriving at a long-term manpower policy or of setting up a common wage-guarantee fund.

The High Authority is convinced that the rationalization of the coalmining industry is essentially dominated by social considerations. It realizes that these same social considerations have a certain amount to do with the maintenance of selling agencies. But the result of these agencies is often not so much to improve coal distribution as to impede adjustments which have become necessary.

For this reason the High Authority is determined to work for the solution of this social problem. But it will need support from all quarters, and in particular from the trade unions. After all, in the ultimate analysis the workers' standard of living is based on an industry which, while it does admittedly provide the guarantees to which they are entitled, is geared to the movements of an energy market that is changing all the time.

The reorganization of the coal-selling set-ups will be a step towards a coal policy, which is an integral part of a co-ordinated energy policy.

The decision concerning the continuation in being of the Ruhr coal-handling agencies - in connection with which, I would mention, an appeal has been lodged with the Court of Justice - embodies the principles on which the High Authority considers it should base itself in putting through that reorganization. The General Report now before you contains the preliminary conclusions arrived at in this connection by the High Authority from its three years of experience. On this basis - points learned from past experience points to be observed in future action - the High Authority hopes to have a very comprehensive debate with the House. It has been most fortunate in the close co-operation established with your Market Committee on these matters. It is determined to push ahead as speedily as possible, and awaits criticisms and suggestions from you and from the quarters directly concerned.

I should like now to turn for a moment to the steel market, where, although it too is affected by the recession, the indications are nevertheless that the situation will take a turn for the better in the next few months.

Thus the building trade is very active, capital-goods investment is relatively high in a number of countries, and there has been an upturn in export demand. As consumers' stocks have been run down to a very low level, it is reasonable to hope that crude-steel and pig-iron production will be rather higher as from the second quarter of 1959 than they have been in recent months, about back to their mid-1958 level.

However, the upward trend in industrial production would appear to be still too slight to provide the iron and steel industry as yet with a stimulus immediately sufficient to restore demand completely.

A special problem has arisen in the Common Market in the last few months in connection with the relative level of French steel prices.

As you know, French steel was already before December of last year better placed as regards prices than the steel production of the other Community countries.

The French Government's economic and monetary measures to restore the equilibrium of the French economy further improved the competitive position of French steel. The result seemed likely to be that Common Market prices generally would be determined, temporarily at any rate, by the position within France, which might have produced disturbances in the other markets.

The High Authority has given some thought to the matter, as it is, incidentally required to do by Article 67 of the Treaty - which was, I may say, drafted specifically to provide for situations such as that resulting from the French currency reform.

In face of this situation, two possible courses of action were suggested by the circles concerned: one idea was to introduce a dual-pricing system whereby French steel sold in other markets would be increased in price, while on the other hand certain Governments envisaged the institution of compensatory dues on French steel coming into their markets. Needless to say, both suggestions were totally at variance with both the letter and the spirit of the Treaty.

The High Authority therefore felt compelled to recommend that the French Government take such action as would, without risk to the success of its courageous effort for a sounder currency,

serve to ease the necessary transitions, and to some extent cushion the impact of its economic and monetary operation.

The High Authority's aim was to ensure the progressive restoration of balanced price relations, without infringement of the root principle of the Common Market. It was necessary that such pressure should be exerted on steel prices in the market as a whole as would be in the interests of all steel consumers in the Community.

Well, Mr. President, ladies and gentlemen, these are the problems which the High Authority has had to face and try to deal with during the twelve months which have just elapsed.

In each case the House will no doubt have noticed the slowness with which the High Authority has acted, the time it has taken to reach certain decisions, the amount of labour that has been required for it to work out remedial measures.

Quite apart from the need to observe the procedure laid down, the House must know that this slowness and laboriousness has been forced upon us: it is not possible today for the High Authority to implement the Treaty or to take action without first disposing, by sheer persuasion, of obstacles which it should never have encountered.

Whether it is concerned to co-ordinate commercial policies, to cope with unduly marked fluctuations in the level of economic activity, to introduce measures to assist workers in difficulties, or to resolve a problem in connection with the balance of prices in the market, the Executive of the Community has each time to try to prevent recourse to purely national arrangements, to have Community arrangements adopted instead, and to convince those concerned that the interests of the Community are not merely the sum of the national interests of its component countries.

It is not possible for the Executive to frame and pursue a long-term policy if the need for a Community policy as such is queried at every turn.

In the very near future we shall be called upon to put forward our final proposals for dealing with the coal crisis. And we shall be called upon to pursue and expedite the schemes for putting the coal-mining industry on a sounder basis. And we shall be called upon to make arrangements for the readaptions which will then become necessary. And we shall be called upon to produce a co-ordinated energy policy. And all these tasks are vital to the future of Europe.

To carry them out the High Authority needs the maximum of political strength. And political strength it will gain, Mr. President, ladies and gentlemen, from the support it will receive from this House.

The fact that the Council of Ministers has taken no decision as to the renewal of the High Authority places the Members of the High Authority now in office in the most awkward position possible for dealing with the present difficulties.

We had no say - for all our exertions and representations - in the designation of the new High Authority by the Council of Ministers. Although just before February 10 the Governments agreed, in view of a political crisis in one of the member countries, to postpone the decision for one month, the new deadline was not observed any more than the previous one had been.

The Members of the High Authority are therefore continuing to exercise their functions, as the Treaty requires them to do, until such time as they are replaced. When or how that will be done, they have no idea. The situation is, you will agree, paradoxical.

Thus placed, and required to take decisions of vital importance for the Community at one of the most difficult junctures in its history, the High Authority stands before you today, submitting for the approval of the House the policy it proposes to pursue.

Representing as you do the sovereign will of our six countries, you are the judges of our work. And your judgement, in the High Authority's present circumstances, will carry very special weight. We ask you to express it clearly and unequivocally.

If it is favourable, the High Authority expects its own political authority to be thereby strengthened, which is essential to it in the work that it is doing. Thus fortified by your confidence, the High Authority, standing up to the difficulties of this present time, will demonstrate by the success of its venture, founded on the solidarity of all, that our Community is an active reality.
