

EUROPEAN COAL AND STEEL COMMUNITY  
THE HIGH AUTHORITY

Second

GENERAL REPORT

on the

Activities of the Community

*(13th APRIL 1953 TO 11th APRIL 1954)*

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11th APRIL 1954

The President  
and the Members of the High Authority  
to  
the President of the Common Assembly

Mr. President,

In accordance with Article 17 of the Treaty establishing the European Coal and Steel Community, we have the honour to submit the Second General Report of the High Authority on the activities of the Community and its administrative expenditure. The latter, as well as the budget estimates and the report provided for by Article 78 of the Treaty, are set out in separate documents.

Please accept, Mr. President, the expression of our high consideration.

*Luxembourg, April 10, 1954.*

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*President*  
Franz ETZEL  
*Vice-President*  
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## SECOND GENERAL REPORT

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## INTRODUCTION

1. This General Report on the activities of the European Coal and Steel Community is the second of the annual reports which, according to the provisions of the Treaty, the High Authority must publish for discussion by the Common Assembly.

2. The report published at this same time last year (1) dealt with the creation of the institutions of the Community and the first decisions which had been taken, in particular those concerning the establishment of the common market for coal, iron ore, scrap and steel. These institutions had then hardly begun to function properly, and the decisions had not yet had time to produce any results. This present report, however, comes twenty months after the creation of the institutions and roughly a year after the establishment of the common market. It is a balance-sheet of the first results achieved — results which are many and tangible — in all the fields of action of the High Authority, and their importance must be judged in the light of the short time which has elapsed since the creation of the Community:

- a steady development of the coal and steel trade which has enabled consumers to benefit from considerable price reductions; the most efficient producers to maintain a relatively high level of production and employment at a time when the general economic situation was rather unfavourable, and other producers to

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(1) *General Report on the Activities of the European Community* (August 10, 1952 to April 12, 1953) and the *Special Report on the Establishment of the Common Market for Steel*, published May 8, 1953 as a supplement to the General Report.

find in competition the necessary incentive to adapt their plants, their organizations and their techniques to the new conditions created by the common market;

- the development of the High Authority's policy both in respect of the operation of the market and the establishment of general objectives for modernization and expansion, and the exploration of possible new sources of financing;
- finally, the development of those activities which more directly concern the Community's workers, in particular the first application of the provisions of the Treaty regarding readaptation and the decision in principle to make a financial contribution towards an initial programme of 1,000 housing units for workers.

3. This Report presents not only a balance-sheet of results achieved, but also an overall picture of the actions to be initiated or carried through, in the course of the coming months, in line with the provisions of the Treaty and the the wishes of the Assembly.

4. Not all the problems have been solved, not all the difficulties overcome, but each stage that has been passed — with all the precautions necessary to avoid causing serious disruption in the economic life of the six countries — has brought the Community nearer to its fundamental objectives: *increase of production, free and equal access for all consumers to the sources of production, improvement of living and working conditions for labour.*

By these achievements, the Community has given proof of the effectiveness of the first supranational European institutions for obtaining the ultimate goal and of

their flexibility for adapting themselves to the various situations which they meet.

That certainly is the essential fact which emerges from this balance-sheet of one year of common market and 20 months of functioning of the institutions which govern it. *The results achieved in the as yet limited field of coal and steel foreshadow visibly those that would follow from the creation of that "broader and closer community" whose initial foundations must be laid by the European Coal and Steel Community.*

## CHAPTER ONE

## THE INSTITUTIONS OF THE COMMUNITY

5. Following a brief period during which the institutions of the Community were established, the first year of the common market witnessed the fuller development of these institutions and of their reciprocal relations.

6. The High Authority, constantly adapting itself to the problems raised by the development of its activities, has continued with the organization of its work and services along the general lines which have already been indicated (1).

Keeping strictly to its method of multiple and, one might say, permanent consultations, the High Authority has intensified its contacts with producers, consumers, workers and their organizations, and with experts of the national governments, in addition to the exchanges of opinions and formal consultations which it has had with the Special Council of Ministers and the Consultative Committee. In order to assess the possible effects of important decisions, before taking them, and to be able to give its reasons and explain its methods of application after the decisions are taken, the High Authority held separate meetings with producers, consumers and workers, all of them chosen for their competence and influence. This was done, in particular, after the decisions made in May 1953 which, in freeing prices, created a completely new situation on the steel market; it was also done when the new regulations for publishing price-schedules in the iron and steel

(1) See *Report on the Situation of the Community* of January 10, 1953.

industry were put into operation; and again when new price regulations were adopted on the coal market. In this same fashion the High Authority is now preparing the establishment of the common market for special steels on May 1, 1954, and the forthcoming development of its activities in the field of agreements and concentrations.

7. Relations between the High Authority and the Consultative Committee attached to it have also developed during the period under review. Already in July 1953, the High Authority had expressed the desire for an exchange of views with the Committee on all the various problems which had arisen from the operation of the common market from the time it was established. This exchange of views was prepared in committee and finally took place in September. In January 1954, similar exchanges took place on the long-term forecasts of coal and steel demand, on the High Authority's general policy in these industries, particularly as regards investments, as well as on certain special problems arising from the application of Article 60 to the steel market. In this same spirit, the High Authority requested the Consultative Committee at the end of February to examine a series of specific questions; iron ore supply for the Community, construction of thermal power stations, worker's housing, possibilities for increasing the consumption of steel, etc.

8. Relations with the Special Council of Ministers have developed in a like manner. Formal consultations are perhaps less frequent than at the time when the introduction of the common market was being prepared, but frequent exchanges of views have taken place at the request of the High Authority: in October, in respect of the first months of the common market; in December, on the High Authority's general policy; at the end of February, on the coal market; at the beginning of April, on the whole complex of transport problems.

It was at one of these meetings that the Ministers representing the six governments of the member States agreed to examine jointly with the High Authority, their general expansion and investment policy.

9. During recent months, relations between the High Authority and the Assembly of the Community have developed on fruitful lines.

Every month, each member of the Assembly receives a monthly report of the High Authority's activities together with a bulletin of statistical data. Thus, during the periods between sessions of the Assembly and committee meetings, each member can continuously follow the overall development of the Community and the progress of the common market.

Several committees, in particular the Committee on the Common Market and the Committee on Investments, Finance and Production Development, have decided to meet at regular and frequent intervals in order to follow closely the High Authority's activities. Preparations for these meetings, as also those of the other committees of the Assembly, are usually made by way of questions sent to the High Authority in advance, and the High Authority providing the members of the committees with working documents.

Finally, at the beginning of 1954, the Assembly met for the second time in extraordinary session to examine the overall situation of the Community and in particular, this year, the general investment policy of the High Authority.

10. This development of the forms of co-operation between the institutions of the Community was also in evidence on the administrative and financial level.

At the initiative of the President of the High Authority, the Committee of Presidents of the four institutions of the Community decided, as early as March 1953, to transmit every six months a report on the position of the administrative expenditure of each institution to the Budget and Administration Committee of the Common Assembly. This decision is being carried out: in November 1953, the Budget and Administration Committee received a report on the implementation of the general budget estimates for the fiscal year 1952-53 broken down by chapters, articles and even by individual items, and at the beginning of April 1954, a similar report on the first six months of the fiscal year 1953-54, i. e., the current fiscal year.

This procedure which makes it easier for the Budget and Administration Committee to carry out its mandate, even before the Assembly receives the reports expressly provided for by Articles 17 and 18 of the Treaty, will be adopted also for the future.

## CHAPTER TWO

### THE EXTERNAL RELATIONS OF THE COMMUNITY

11. From the very beginning, the High Authority has been constantly concerned with finding ways and means for attaining an increasingly better understanding and closer co-operation with the countries which do not belong to the Community. With this aim in view, it took the initiative of *proposing to the British Government that negotiations be opened between that Government and the High Authority and has endeavoured to strengthen its relations with other countries and with the various international organizations.*

#### ASSOCIATION WITH GREAT BRITAIN

12. As early as August 11, 1952, i. e., the day after the High Authority had entered upon its functions, the British Government expressed its intention of establishing the closest possible association with the Community. On August 22, 1952, it decided to accredit a delegation to the High Authority with "the task of laying the foundations for an intimate and enduring association between the Community and the United Kingdom, and of dealing on a day-to-day basis with the many problems of common interest which will arise as it develops".

Since then — in November 1952 — the High Authority and the U. K. Delegation formed a "Joint Committee" for the mutual exchange of information.

Moreover, British experts have been invited to participate in the work of several committees (technical research, workers' safety) with the experts from the member-countries of the Community.

One further step had yet to be taken. At the session of the Common Assembly in June 1953, the President of the High Authority declared that since the common market for coal and steel had become a reality, the moment had come to make concrete proposals to the British Government and that the High Authority would take the initiative in making these proposals.

13. On December 24, 1953, the President of the High Authority handed to Sir Cecil Weir, Head of the United Kingdom Delegation to the High Authority, a letter requesting him to inform his Government that the High Authority was ready to open negotiations at once with a view to setting up concrete forms of association between the Community and the United Kingdom.

Shortly after receiving this letter, the British Government announced that it was examining the proposals of the High Authority with great interest, but that the complexity of the problems to be solved obviously required careful consideration on its part before it could give its answer. These proposals will be publicly announced together with the British reply which the High Authority hopes to receive in the near future.

The High Authority has already begun to exchange views with the competent representatives of the member-States for the purpose of drawing up the general lines of the matters which might be dealt with in the negotiations with the Government of the United Kingdom.

*RELATIONS WITH OTHER EUROPEAN COUNTRIES*

14. The delegations accredited by third countries to the High Authority have given proof of an increasing interest in the various activities of the Community, and the High Authority has endeavoured to make its contacts with these delegations increasingly effective.

After every important decision that has been taken, the representatives from third countries who have a delegation at Luxembourg have always had the opportunity of being kept informed of the contents of the decisions and of all the available data relating to the problems with which they dealt. Through such exchanges of views, the High Authority is in a position to ascertain the repercussions of its actions in the international sphere and to keep itself informed on the interests, wishes, and at times even the apprehensions, of the non-member countries.

Furthermore, the High Authority has had meetings on particular issues with representatives of certain European countries which do not belong to the Community. For instance, such meetings took place with the delegation of the Austrian Government at the beginning of March with a view to defining the likely effects on the Austrian economy of the High Authority's action in the field of transport, and to study the problems involved by the transit-traffic of the Community across Austria. Similar talks — which also were very satisfactory — were recently held with experts from the Swiss Confederation.

*RELATIONS WITH THE UNITED STATES*

15. In June last year, the High Authority informed the Common Assembly of the exchange of letters which had taken place between the President of the United States and the Chairmen of the Foreign Affairs Committees of the Senate and the House of Representatives concerning a loan by the American Government to the Community.

Negotiations to determine the concrete ways in which this loan shall be granted were opened at Washington at the beginning of April by Mr. Jean Monnet, President, and Messrs. Giacchero and Potthoff, Members of the High Authority.

#### CO-OPERATION WITH INTERNATIONAL ORGANIZATIONS

16. Relations between the Community and the various international organizations have continued to develop favourably, in particular as regards co-operation with the *Council of Europe*.

Last June, the members of the Consultative Assembly of the Council of Europe and the members of the Common Assembly held a joint session at Strasbourg, in application of the agreement reached in January 1953 between Lord Layton, Vice-President of the Consultative Assembly, and the President of the High Authority. This was the first time that representatives of the peoples of the Community met with the delegates of other countries (the members of the Council of Europe who are not members of the Community), with the High Authority present, for the purpose of discussing problems of common interest. In May 1954, following the ordinary session of the Common Assembly, another joint meeting is to take place at Strasbourg to study this Report.

Following the first joint session, a resolution of the Consultative Assembly of the Council of Europe was transmitted to the High Authority and debated in the Common Assembly during its extraordinary session of January 1954. Various questions concerning the forms and methods of association between the two institutions tending to an increasingly closer collaboration are presently being studied.

At the committee level, the High Authority received at Luxembourg, in January 1954, the Committee on

Economic Questions of the Council of Europe and the Committee on Social Questions. In the course of these meetings, the High Authority gave detailed replies to numerous questions raised by the members of these committees.

17. As regards relations with the *Organization for European Economic Co-operation* (OEEC), the High Authority's mission to that organization has helped to maintain regular contact. The High Authority's observers have been present at the meetings of the Council, the Executive Committee and at those of several technical committees. Rules of co-operative procedure have been worked out by the High Authority and the member States of the Community in respect of relations with the Organization for European Economic Co-operation: for questions concerning coal and steel which fall exclusively under the jurisdiction of the High Authority; it is incumbent upon the High Authority to present the common point of view before the committees of that organization.

Meetings have taken place in Paris with representatives of the member States of the OEEC on a number of important problems in order to decide on a common position in regard to these problems.

A delegation of the Organization for European Economic Co-operation, headed by the President of the Iron and Steel Committee of that organization, paid a visit to the High Authority in March; the ensuing exchange of views made it possible to lay down the essential principles for an effective collaboration.

18. *Within the framework of the General Agreement on Tariffs and Trade (GATT)*, the Community has maintained its relations with the 34 signatory countries. At its last sessions, held at Geneva in October, the contracting parties studied the first annual report on the

measures taken in application of the Treaty. The measures taken by the High Authority since the preceding session were admitted as conforming to the decision of November 10, 1952, which had granted the member States of the Community a waiver from the most-favoured-nation clause with a view to enabling them to fulfil their obligations toward the Community.

Two questions in particular engaged the special interest of the contracting parties.

The first concerns the negotiations provided for by the Convention containing the Transitional Provisions (Section 14). These negotiations between the member States of the Community and the governments of third countries on all economic and commercial relations concerning coal and steel must be conducted by the High Authority, acting on instructions adopted unanimously by the Council of Ministers, as joint representative of the governments of the member-States. Besides Great Britain, two other contracting parties to the General Agreement, Austria and Sweden, were interested in these negotiations in view of the establishment of the common market for special steels scheduled for May 1, 1954. The Council of Ministers examined the question on October 13, 1953, and decided to announce that the Community had confirmed its intention of opening these negotiations with third countries, and particularly with the United Kingdom, as soon as possible so that tangible results might be obtained by May 1, 1954.

The High Authority has gone carefully and thoroughly into the questions connected with the negotiations to be opened with Austria, Sweden, Denmark, Norway and Switzerland. At the beginning of December, it requested the governments of the member States to designate representatives empowered to establish contact with the High Authority for the purpose of outlining a general programme for these negotiations.

The second question raised by the contracting parties to GATT bears on the existence of an agreement among the steel producers of the Community on prices applied to exports to third countries. On this point, the High Authority renewed the assurances it had already given, namely that in accordance with the Treaty, it will see to it that equitable limits are respected in the prices charged on foreign markets by producers of the Community.

19. Closer relations have been established between the Community and the *International Labour Organization (ILO)*. On August 12, 1953, an agreement was concluded which provides for collaboration with a view to attaining the objectives of the Treaty, i. e., economic expansion, increased employment, a higher standard of living in Europe. The High Authority has already availed itself of the technical assistance of the *International Labour Organization*.

20. Finally, contacts made with the Secretariat of the *Economic Commission for Europe of the United Nations (ECE)* have facilitated the technical co-ordination of work of mutual interest.

21. It can thus be seen that, from every point of view, 1953 has been a year marked by a continued development of the *European Community's external relations with the governments of non-member States and with the various international organizations*.

## CHAPTER THREE

### OPERATION AND DEVELOPMENT OF THE COMMON MARKET

22. When the General Report on the Activities of the Community was published last year, the common market for coal and steel, iron ore and scrap had just been established. The High Authority had already taken important steps but this activity remained, so to speak, rather formal: within the periods laid down by the Treaty, it had, in accordance with the Treaty and the Convention containing the Transitional Provisions, taken the decisions incumbent upon it.

Now that the common market is established and functioning, the task of the High Authority has changed. With a view to attaining the objectives laid down by the Treaty, it must constantly supervise the operation and development of the common market. In addition to its legal, or more properly speaking, constitutional duties, it now has further tasks: it must at all times take a broad long-term view of what constitutes the common interest, and must keep everyone — national governments, producers and workers — informed of its plans for the future. Finally, the High Authority, by its decisions, recommendations and opinions has to see that effect is given to the measures it proposes.

In this connection, it must be clearly understood that the creation of the common market is a continuous process, and that no decision of the High Authority can be definitive — least of all during an initial transition

period designed to ensure a smooth passage from national, separate and protected markets to a competitive market of 160 million consumers.

23. We shall begin by examining how the *common market* has become a reality — i. e., by considering the development of trade and prices in each of the products subject to the jurisdiction of the Community. A second section will demonstrate *how the first decisions taken were applied and subsequently modified* in order to come closer to the objectives of the Community by profiting from experience. A third section will deal with the *development of competition*, that is, the measures to bring about an immediate improvement of the conditions in which the common market functions (“red-tape”, transport, agreements and concentrations). Finally, a fourth section will deal with the *development of the common market*, and particularly with the efforts to formulate a common policy for expansion. Investments and financing problems will be treated in a separate chapter.

#### Section 1 — The common market as a reality

##### COAL

##### TRADE

24. *The increase in hard coal trade among the Community countries in 1953 is one of the consequences of the establishment of the common market.*

During January and February 1954 the volume of hard coal trade was 23.3% greater than the monthly average for the three years preceding the introduction of the common market.

For the whole year 1953, i. e., the first year of the common market, hard coal trade among the Commu-

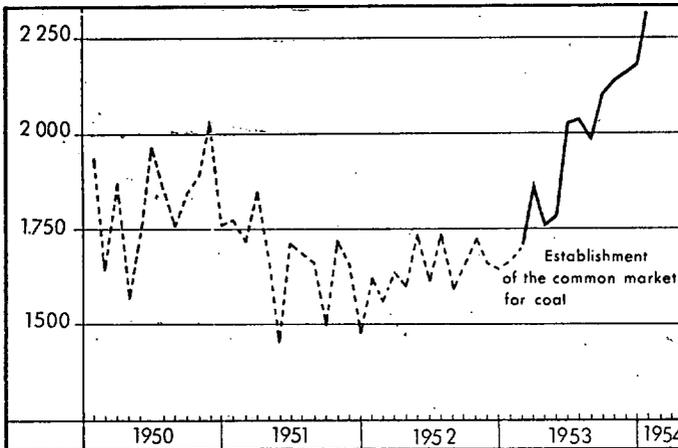
nity countries increased by about 3.5 million metric tons, or 22%, over the previous year in spite of a decrease of 5% in consumption due to general economic conditions.

The percentage of trade in relation to production rose from 6.7 to 8.1% from one year to the next.

25. The total increase of hard coal deliveries from 1952 to 1953 was distributed as follows (in metric tons):

<i>Deliveries from</i>	<i>Deliveries to</i>
Germany . . . + 1,226,000	Germany . . . + 476,000
Belgium . . . + 1,277,000	Belgium . . . + 489,000
France/Saar . . + 690,000	France/Saar . . + 689,000
Netherlands . . + 248,000	Italy . . . . . + 823,000
	Luxembourg . . — 36,000
	Netherlands . . + 1,000,000
<i>Total . . . + 3,441,000</i>	<i>Total . . . + 3,441,000</i>

Hard - coal deliveries from community countries to other community countries. (1)



(1) Includes the exchanges Belgium-Luxembourg.

An examination of the development by countries shows the following results:

1. *Germany* increased her deliveries of hard-coal to other Community countries from one year to the next by 1,226,000 metric tons, or 13.5%, with 10,285,000 tons in 1953 as against 9,059,000 tons in 1952.

The increased German deliveries were made to the following countries:

Italy . . . . .	+ 394,000 metric tons, or 13.2 %
Belgium and Luxembourg .	+ 366,000 metric tons, or 87.2 %
Netherlands . . . . .	+ 326,000 metric tons, or 16.8 %
France and the Saar . . .	+ 140,000 metric tons, or 3.8 %

During the same period, Germany increased her purchases of hard coal from other Community countries by 476,000 metric tons, or 12 %, with 4,435,000 tons in 1953 against 3,959,000 tons in 1952.

2. *Belgium* raised her deliveries by 1,277,000 metric tons, or 55.4 %, with 3,582,000 metric tons in 1953 against 2,305,000 in 1952.

The following is a breakdown of the increase of Belgian deliveries among Community countries:

Netherlands . . . . .	+ 571,000 metric tons, or 119.4 %
France . . . . .	+ 486,000 metric tons, or 44.6 %
Italy . . . . .	+ 168,000 metric tons, or 25.2 %
Germany . . . . .	+ 88,000 metric tons, or 46.3 %

During the same period Belgium raised her purchases of hard coal from other Community countries by 489,000 metric tons, or 100 %, with 979,000 metric tons in 1953 against 490,000 tons in 1952.

Deliveries from *Germany* and the *Netherlands* to Belgium increased respectively by 342,000 metric tons (or 107.9 %) and 169,000 metric tons (4,000 tons in 1952).

3. *France* and the *Saar* increased their deliveries by 690,000 metric tons, or 15.4 %, with 5,171,000 tons in 1953 against 4,481,000 in 1952.

The French-Saar deliveries were distributed as follows:

Germany . . . . .	+ 377,000 metric tons, or 9.5 %
Italy . . . . .	+ 256,000 metric tons, or 120.2 %
Netherlands . . . . .	+ 103,000 metric tons, 4,000 tons in 1952

During the same period, France and the Saar increased their hard coal purchases from other countries by 689,000 metric tons, or 14.4 %, with 5,486,000 tons in 1953 against 4,797,000 in 1952.

It is principally the deliveries from *Belgium and Germany* to France and the Saar which have increased, by 486,000 metric tons (or 44.6 %) and 140,000 tons (or 3.8 %) respectively.

4. The *Netherlands* delivered 252,000 metric tons to other Community countries in 1953, of which 173,000 metric tons went to Belgium as against only 4,000 tons in 1952.

During the same period, the Netherlands increased their purchases of hard-coal from other Community countries by 1,000,000 metric tons, or 41.3 %, with 3,422,000 metric tons in 1953 against 2,422,000 tons in 1952.

It is principally the deliveries from *Belgium and Germany* to the Netherlands which have increased by 571,000 metric tons (or 119.4 %), and 326,000 metric tons (or 16.8 %), respectively.

5. Finally, *Italy* received 823,000 metric tons more hard coal in 1952 from other Community countries, or 21.2 %, with 4,697,000 metric tons as against 3,874,000 in 1952.

The increased deliveries to Italy came principally from *Germany* (+ 394,000 metric tons, or 13.2 %), *France* and the *Saar* (256,000 metric tons, or 120.2 %) and *Belgium* (+ 168,000 metric tons, or 25.2 %).

6. Only *Luxembourg*, which does not produce coal, reduced its purchases from other Community countries.

26. This stepped-up trade has generally allowed producing countries to limit the accumulation of pit-head stocks and to maintain a relatively high level of production and employment despite a falling-of in demand which has varied in intensity in the different countries.

Belgium thus increased its deliveries to other Community countries, as has been shown above, by 1,277,000 metric tons (a tonnage about equal to that on which additional compensation was paid under the Belgian compensation scheme), while deliveries from other countries to Belgium went up by only 489,000 metric tons.

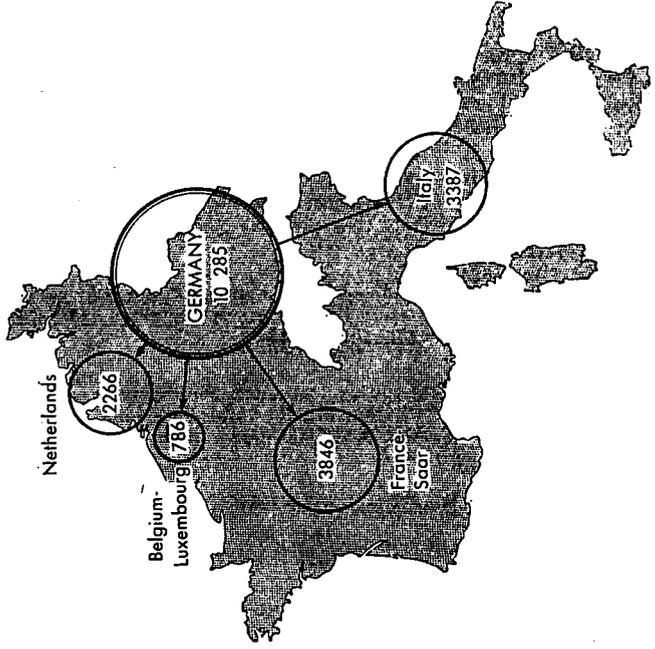
# Hard coal trade within the Community

## GERMANY

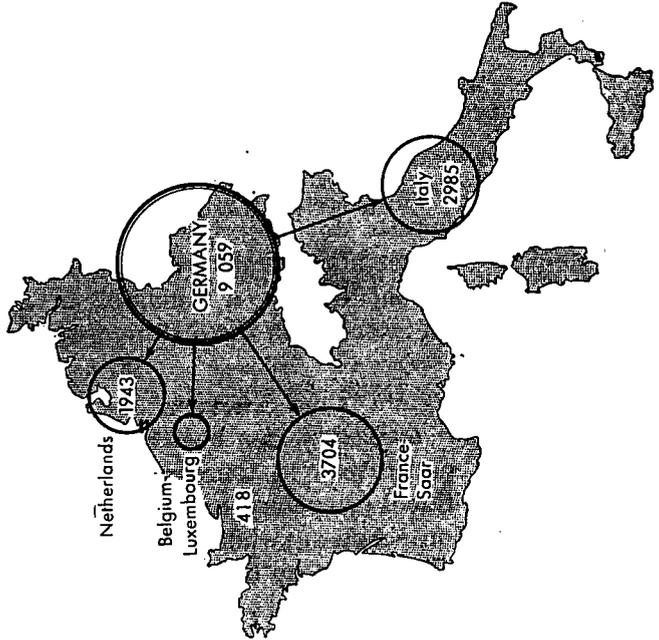
1953

### DELIVERIES FROM GERMANY TO OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)

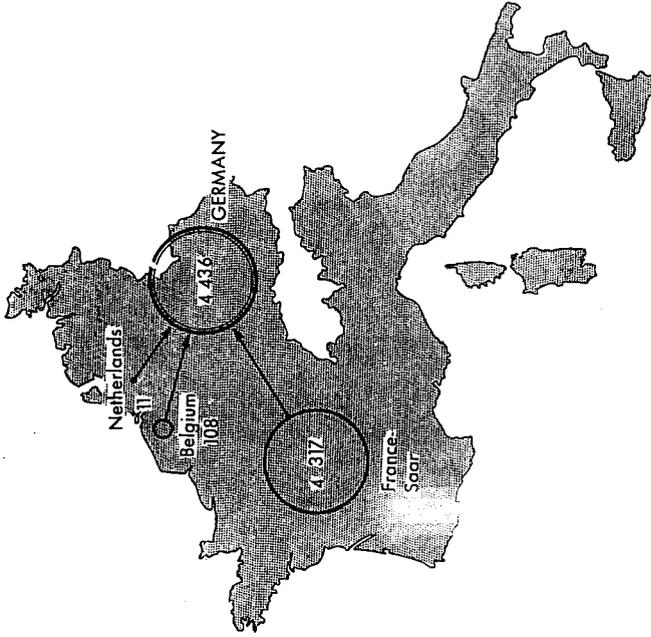
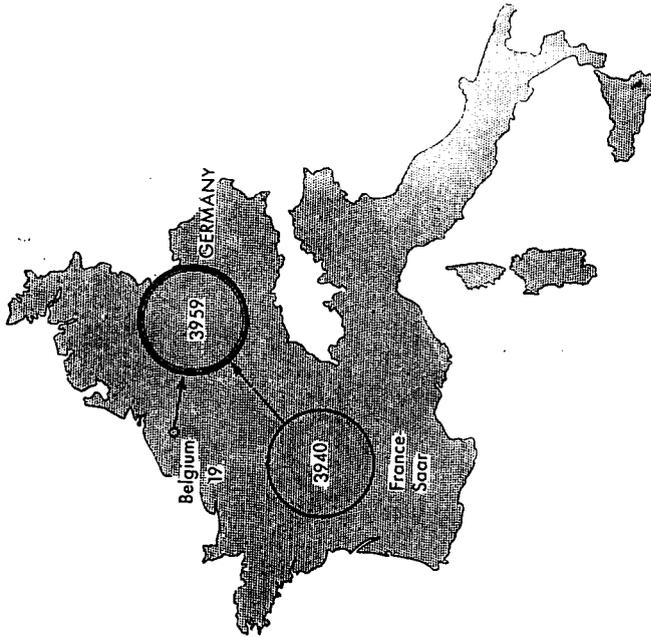


1952



DELIVERIES TO GERMANY FROM OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)



# Hard coal trade within the Community

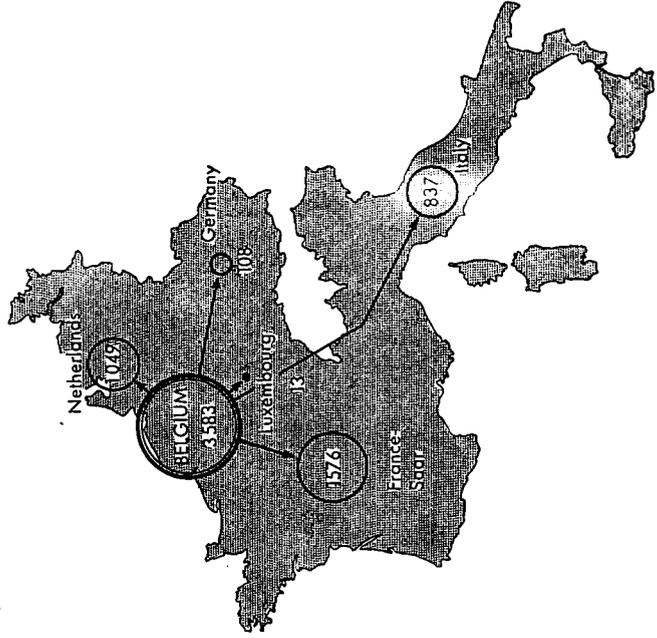
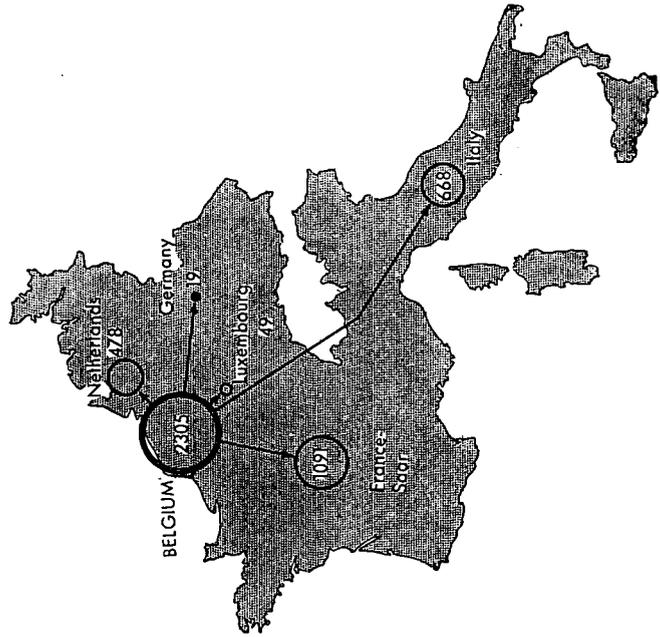
## BELGIUM

1952

1953

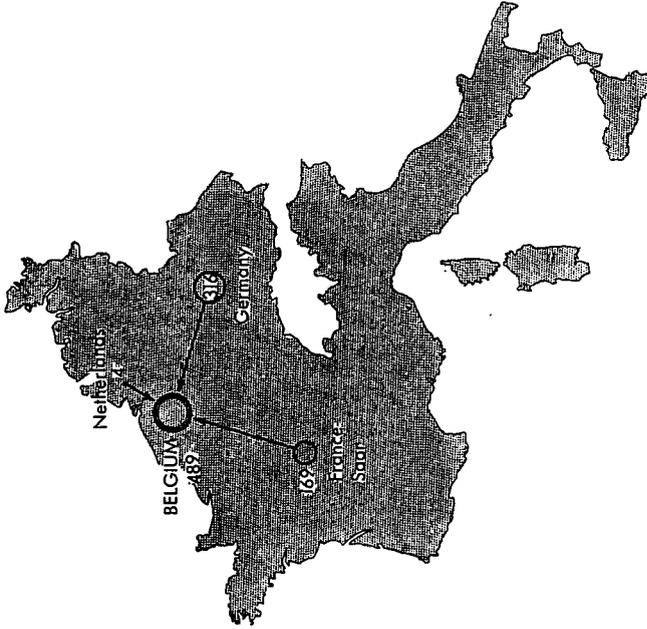
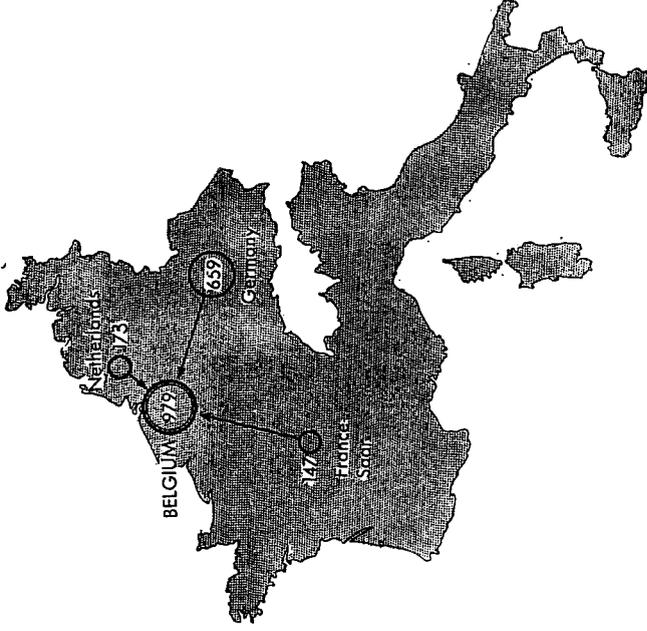
### DELIVERIES FROM BELGIUM TO OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)



DELIVERIES TO BELGIUM FROM OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)

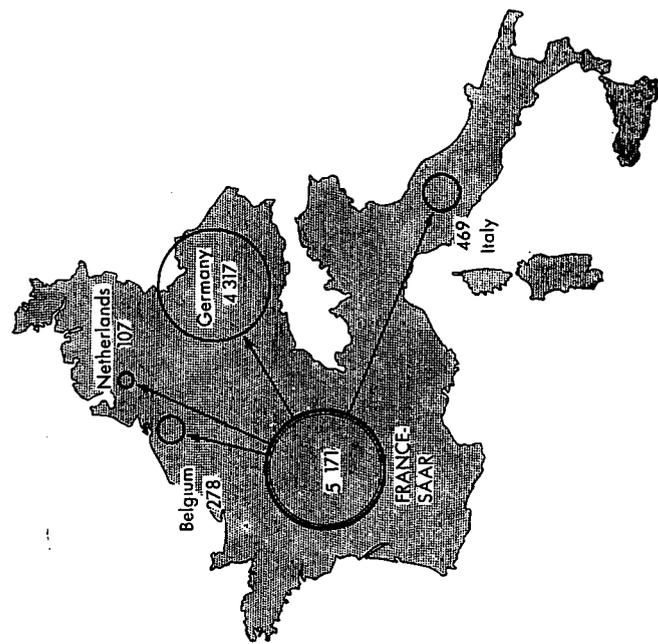


# Hard coal trade within the Community

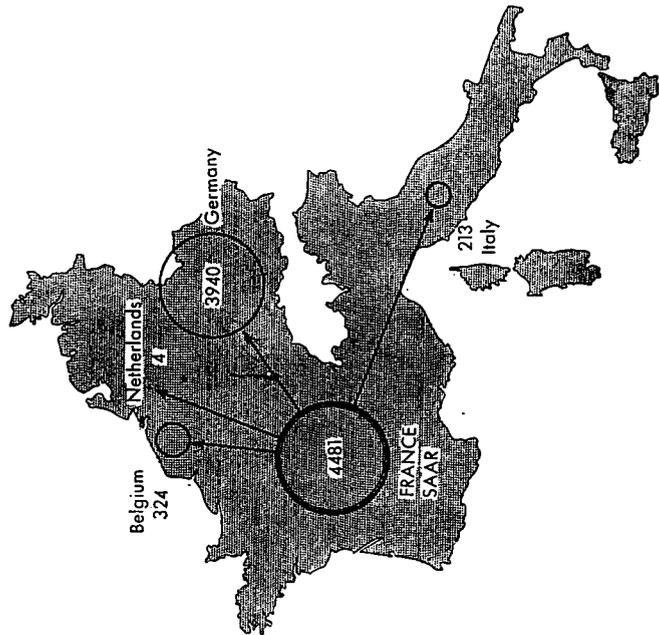
## FRANCE - SAAR

1953

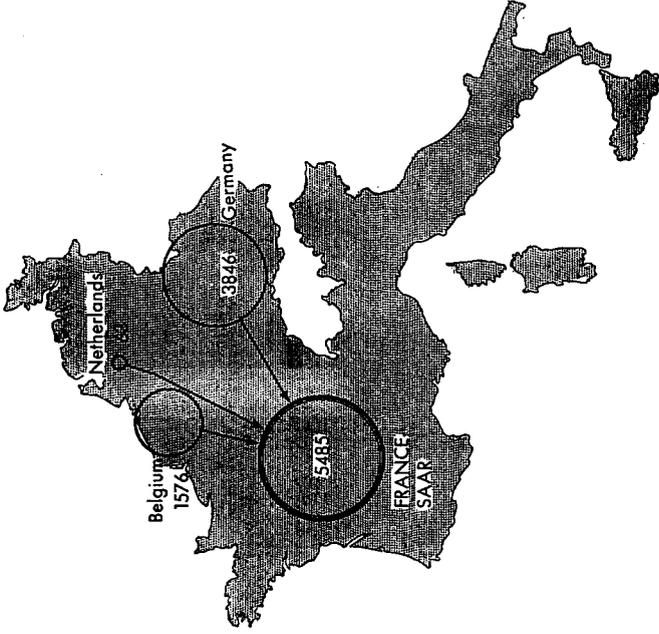
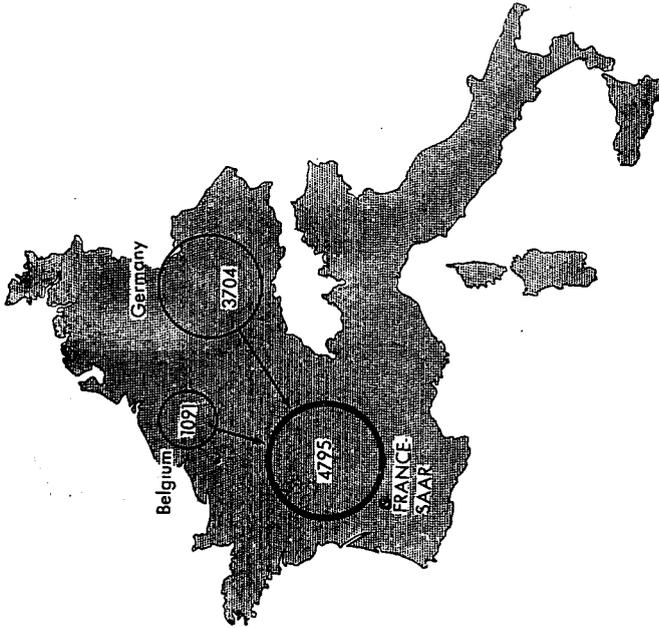
DELIVERIES FROM FRANCE AND THE SAAR TO OTHER COMMUNITY COUNTRIES  
(in 1000 metric tons)



1952



DELIVERIES TO FRANCE AND THE SAAR FROM OTHER COMMUNITY COUNTRIES  
(in 1000 metric tons)

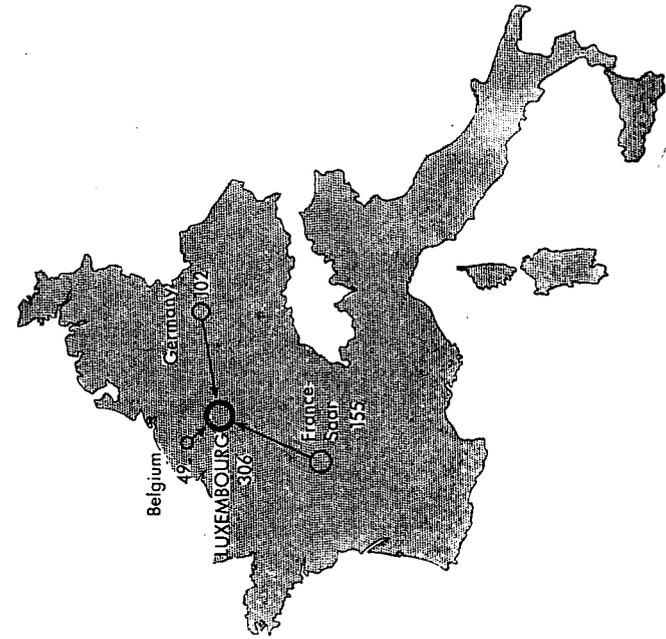


Hard coal trade within the Community

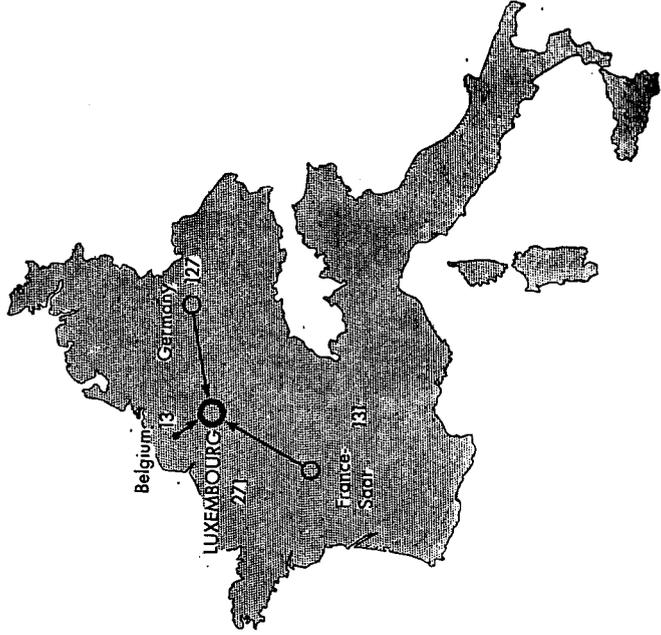
LUXEMBOURG

1952

DELIVERIES TO LUXEMBOURG FROM OTHER COMMUNITY COUNTRIES  
(in 1000 metric tons)

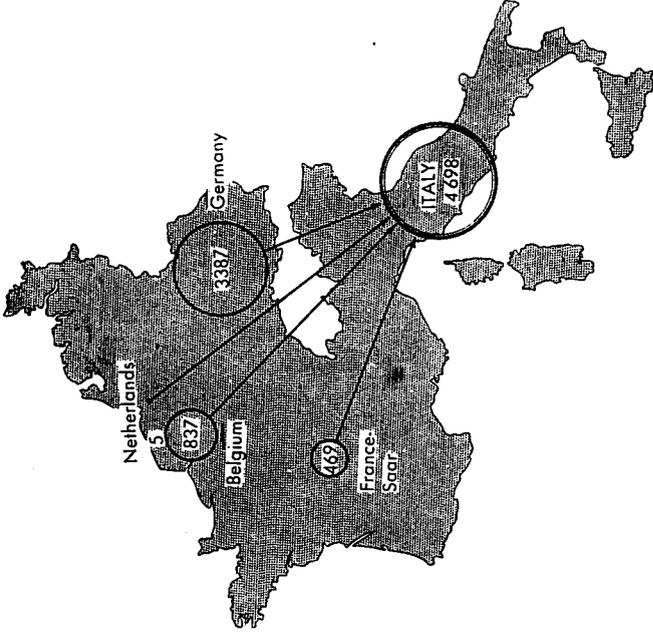
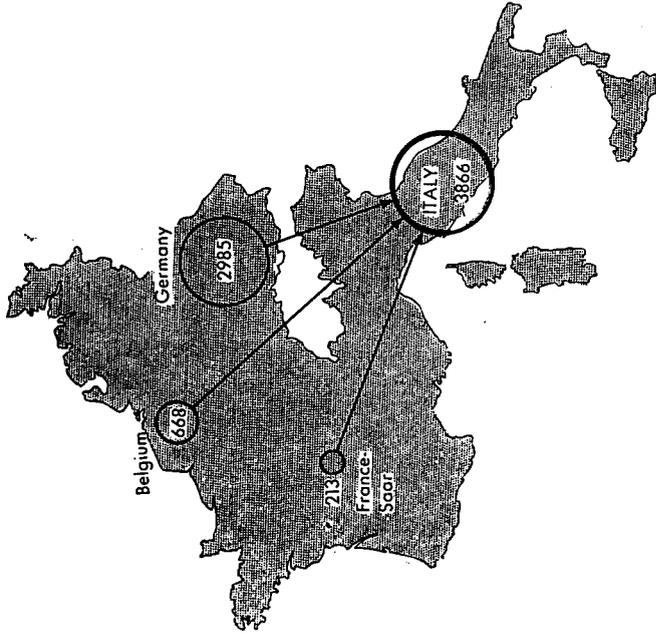


1953



# ITALY

DELIVERIES TO ITALY FROM OTHER COMMUNITY COUNTRIES  
(in 1000 metric tons)



# Hard coal trade within the Community

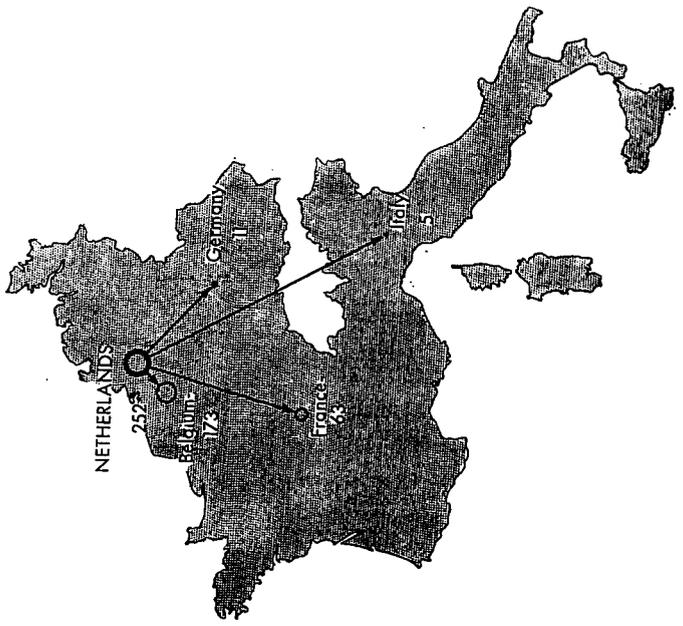
## NETHERLANDS

1952

1953

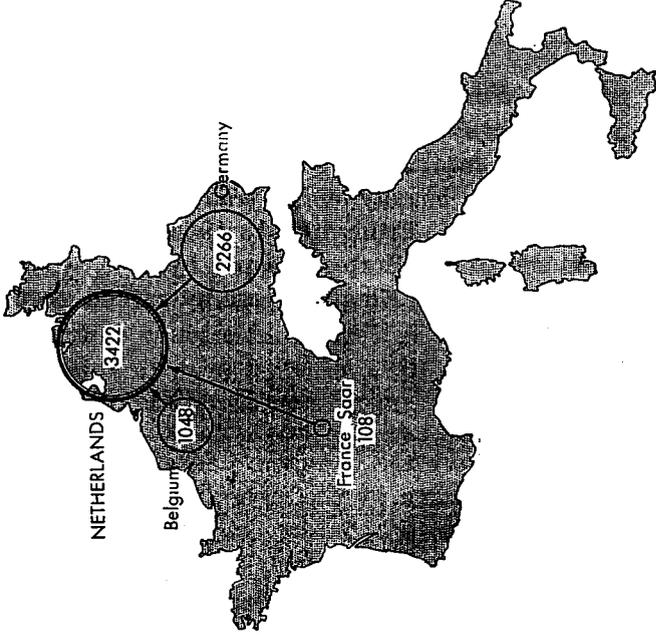
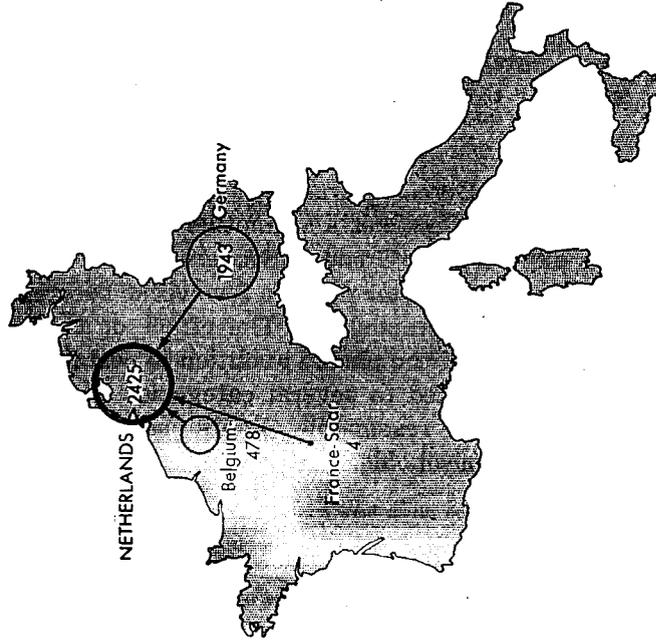
DELIVERIES FROM NETHERLANDS TO OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)



DELIVERIES TO NETHERLANDS FROM OTHER COMMUNITY COUNTRIES

(in 1000 metric tons)



27. Finally, this intensified trade within the common market has helped to limit those imports of hard coal which, because they had to be paid for in scarce currencies, had weighed heavily on the trade balances of the Community countries. From 1952 to 1953 the volume of imports from the United States dropped by 60%, whereas imports from the United Kingdom rose by rather more than 40%.

#### PRICES (1)

28. Before the common market was established, coal prices were fixed by the governments in accordance with widely differing standards. Since there was still some difficulty in obtaining supplies of certain types of coal and because the delivered price of imported American coal remained higher than that of coals produced by the Community, an appreciable increase in prices could justifiably be feared. In order to counteract this danger, the High Authority decreed maximum prices at levels, which, in general, differed very little from those of the prices in force immediately before the common market was set up. The scope of price movements was thus limited.

29. *In Germany*, where there was one system of prices for the home-market and another — at a higher level — for exports, the Federal Government decided upon an increase in the home prices a few weeks before the common market was established. The effect of this increase, as well as that of the partial abolition of certain special prices hitherto granted to several categories of consumers, was kept within reasonable limits so far as it affected domestic households.

(1) The information given here relates solely to price trends during those months of 1953 and early 1954 which followed the establishment of the common market. The new decisions of the High Authority, which comprise the reduction of certain maximum prices and the introduction of price freedom in a number of coal fields, became effective as from April 1, 1954. They are still too recent for all their effects to be analyzed (see below, Nos. 49-60).

All consumers of German coal, both at home and abroad, have to pay the compensation levy (Section 25 of the Convention) of an average of 0.65 DM per ton (coal and coke).

30. *In France*, the price-schedules of the Nord-Pas de Calais and Lorraine coal-fields, as well as those in force in the Saar, showed average increase of 127.50, 44 and 28 French francs respectively, including the levy raised by the Community.

On the basis of tonnages marketed in France, in 1952, by these various coal-fields, this was equivalent to an average increase of 90 to 95 francs per metric ton. The variations in the tonnages sold in 1953 are not likely to have altered this figure very much. Elsewhere, however, the abolition of dual prices has resulted in a reduction in the price of coals coming from other countries of the Community, with the exception of most graded athracites from the Ruhr and Aix-la-Chapelle coal-fields.

For example, in the case of coking fines and coke intended for the iron and steel industry, the delivered prices at the frontier have been considerably reduced. In the second quarter of 1953, this reduction, compared with the situation prior to the establishment of the common market, was as follows:

247 francs per metric ton for 780,000 tons of coking fines,

380 francs per metric ton for 990,000 tons of coke,

or 321 francs per metric ton average for 1,770,000 tons of coal.

These figures should be compared to the variations affecting some 400,000 metric tons of graded anthracite, which range from — 121 to + 620 francs per ton, according to grades, origin and transports routes followed, and to variations ranging from — 1,374 to 233 francs on anthracite fines routed by sea.

The increases introduced in certain qualities have been largely offset by reductions in the prices of coking fines and coke.

Incidentally, it is not the French consumers who have benefited by the overall reduction in imported coal prices. Temporarily authorized subsidies and compensations have resulted in the French Treasury's receiving the benefit of the reduction. Thus, subsidies on cokes fell from 683 to 230 francs per metric ton between the first and fourth quarters of 1953, whereas the price of coke to the steel industry increased by 37-38 francs.

At the same time, the gross receipts of the hard coal mines increased: for the Nord-Pas de Calais by 127.50 francs per metric ton, of which 40 to 45 francs represented the levy; for Lorraine, the amount was about equivalent to that of the levy; for the Saar it was slightly less. However, in regard to these two last named coal-fields, there has been an increase in the selling price in Germany, which enabled the rebates hitherto granted to be reduced: the saving represents about 100 million francs per annum to the coal-fields and 1,000 million francs to the Treasury.

31. *In Belgium*, the compensation (1) has had the effect of lowering prices by an average of 29 Belgian

(1) See below. No. 63.

francs per ton sold. Prices for internal consumption show approximately the same reduction.

The following table shows a few examples of reductions in coal prices, ranging from 3 to 9% for certain large Belgian consumers (in Belgian francs):

	Average price per ton		Difference
	Year 1952	Mar. 15 to Oct. 31, 1953	
Railways . . . . .	781.92	757.10	— 24.82
Coking plants and gas-works	852.87	824.96	— 27.91
Electric Power stations . . . .	585.61	551.43	— 34.18
Cement works . . . . .	551.11	501.84	— 49.27

The average profit margin of the Belgian coal mines has, on the whole, neither risen nor fallen, since the object of the compensation was to keep up receipts.

32. *In the Netherlands*, prices on the home-market are delivered prices. A comparison has, therefore, been drawn between the old delivered prices and the new prices of Netherlands coal delivered for home consumption, plus the average cost of transport in the second quarter of 1953. The increase is general, but is not very large.

The Netherlands, however, receive an appreciable amount of coking fines from Germany (20% of their requirements) and of Belgian coal (6 to 7%). The Netherlands economy as a whole — if not the consumer — has benefited by the reduction in German and Belgian coal prices: the burden represented by the compensation levy on coals from other countries in the Community has been reduced from 8.8 million guilders (for 1 million tons) to 5.8 million guilders (for the same quantity) from the second to the third quarter of 1953.

Consumers of Netherlands coal, for their part, contributed to the compensation levy designed to help Belgian and Italian coal to an average extent of 0.50 guilders per ton (coal and coke), a charge which is included in the price schedules.

33. All the above summaries of price trends will form the subject of fresh studies during 1954, account being taken of the expected effect of the High Authority's new decisions.

### STEEL

#### TRADE

34. The common market for steel was set up on May 1, 1953. It was not until September, however, that trade between the countries of the Community began to develop. The reasons for this lay partly in the normal time-lag between the placing of orders and the carrying out of deliveries, and partly also in the inevitable hesitation which characterizes a period of adjustment.

It would, therefore, have been pointless to compare 1953 as a whole with 1952 as a whole. It was considered preferable to draw comparisons between the monthly averages for the first six months of 1953, for the third quarter and the last quarter.

During these periods, the monthly volume of deliveries of iron and steel products from countries in the Community to other countries in the Community grew from 194,300 metric tons (first half year) to 170,100 tons (third quarter) and 240,500 tons (fourth quarter). (1)

*The increase in trade between the average for the first six months and the average for the last quarter is 23.7%.*

(1) All the statistical data which follow have been compiled from national export statistics; the breakdown of trade by countries of destination or origin has been estimated on the basis of item 681 of the Standard International Trade Classification.

35. Developments in the movements of iron and steel products (pig-iron, crude steel and rolled products) are given in the following tables, broken down by supplying countries and countries of destination:

TABLE N° 1

Deliveries of iron and steel products  
by countries of the Community

(monthly average in metric tons)

	January- June 1953	July- September 1953	October- December 1953
Germany . . . . .	29,300	46,250	60,670
Belgium and Luxembourg . . . . .	68,600	56,990	82,370
France and Saar . . . . .	88,330	56,830	83,740
Italy . . . . .	170	240	500
Netherlands . . . . .	7,870	9,790	13,230
<i>Total . . . . .</i>	<b>194,270</b>	<b>170,100</b>	<b>240,510</b>

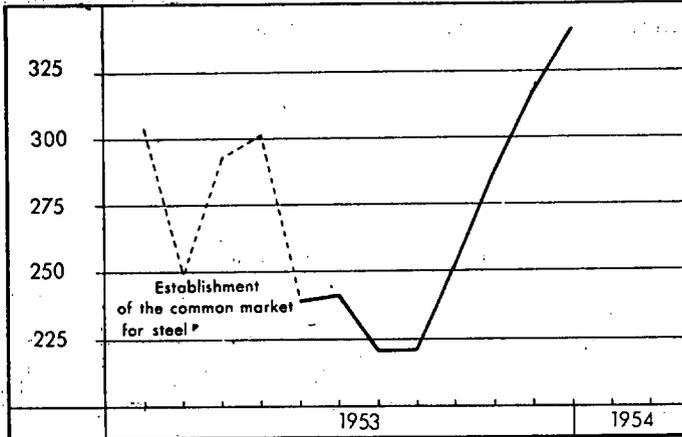
TABLE N° 2

Deliveries of iron and steel products  
to countries of the Community

(monthly average in metric tons)

	January- June 1953	July- September 1953	October- December 1953
Germany . . . . .	81,850	44,930	73,160
Belgium and Luxembourg . . . . .	27,410	28,670	22,630
France and Saar . . . . .	1,130	10,490	16,680
Italy . . . . .	28,520	27,650	49,150
Netherlands . . . . .	55,360	58,360	78,890
<i>Total . . . . .</i>	<b>194,270</b>	<b>170,100</b>	<b>240,510</b>

Deliveries of iron and steel products from  
community countries to other community countries: (1)



Consideration of the development in each country, from the first half year to the last quarter of 1953, leads to the following conclusions:

1. *Germany has more than doubled its monthly deliveries* (in particular to the Netherlands, Italy and France), with 60,700 metric tons in the last quarter against 29,300 in the first six months.

During the same period, German consumers slightly reduced their purchases from producers in other countries of the Community (73,200 metric tons against 81,850), but it can be seen that the volume of German purchases each month remains appreciably higher than that of German deliveries to other countries of the Community, and has been increasing from month to month since September.

2. *Belgium and Luxembourg increased their average monthly deliveries* (in particular to France, the Netherlands, Italy and Germany) by 12,800 metric tons, or 20 %, with 82,400 tons in the last quarter against 68,600 for the first six months of 1953.

During the same period, Belgo-Luxembourg consumers, no doubt because of the falling-off in home demand, reduced their purchases from other countries of the Community (22,600 metric tons against 27,400). Here again, an increase is noted in such purchases during the latter months of 1953.

3. *France and the Saar, from which deliveries had been fairly heavy during the first six months* (88,300 metric tons per month) *showed*

(1) Includes the exchanges France-Saar.

a decline during the third quarter (56,800 tons); but the level rose again in the last quarter (82,700 tons); the increase relates mainly to sales to Italy.

During the same period, the French consumers, who before the establishment of the common market were buying only very small quantities abroad, increased their purchases from the other countries of the Community to 16,700 tons in the last quarter against only 1,130 metric tons in the first six months of 1953.

4. Italian deliveries to other countries of the Community are very small, but *purchases by Italian consumers from other countries in the Community* (in particular from France-Saar, Germany, Belgium and Luxembourg) show an increase of 72 %, with 49,150 metric tons in the last quarter of 1953 against 28,500 tons for the first six months.

5. *The Netherlands increased their monthly average deliveries* (in particular to Germany and Italy) *by 5,400 metric tons, or nearly 70 %, with 13,200 tons in the last quarter against 7,800 for the first six months of 1953.*

During the same period, Dutch consumers increased their purchases from producers in other countries of the Community by 23,500 metric tons, or about 40 %, with a monthly average of 78,900 tons in the last quarter against 55,400 for the first six months of 1953.

36. This increased interpenetration of the markets is also reflected in the trend of new orders received by the iron and steel works of the Community for rolled products. Normally such developments precede the execution of deliveries by several months.

By relating the volume of orders emanating from some country of the Community other than that of the producer to the total orders from the Community as a whole, a ratio is obtained which represents a "rate of market interpenetration". The latter has increased appreciably: it was 14% in September and October, 17.5% from November 1953 to March 1954. For the years 1950 to 1952, percentages calculated on the basis of deliveries from the works did not exceed 9 to 11%.

TABLE N° 3

## Increase in market interpenetration

(in 1,000 of metric tons)

	Orders originating with		rate of market interpenetration
	Consumers situated in one of the countries of the Community	Consumers situated in some country of the Community other than that of the producing works	
<b>1953</b>			
September . . .	1,633	228	14.0 %
October . . .	1,864	269	14.4 %
November . . .	1,721	305	17.7 %
December . . .	1,743	307	17.6 %
<b>1954</b>			
January . . .	2,156	547.5	} 17.4 % <sup>(1)</sup>
February . . .	1,663	247.0	
March <sup>(2)</sup> . . .	1,985	217.0	
	1,935 <sup>(1)</sup>	337.2 <sup>(1)</sup>	

<sup>(1)</sup> Average for the three months.<sup>(2)</sup> Provisional figures.

37. This augmented trade has had no harmful effect upon imports of iron and steel products from countries not belonging to the Community. Such imports remained almost constant during both periods (76,600 from January to September and 77,000 tons from October to December). A country such as Italy, to which the other countries of the Community stepped up their deliveries of iron and steel products by more than three quarters, increased her imports from outside countries by a third.

38. Competition between producers has meant that the latter, faced with some falling-off in the demand for steel, as a result of general economic conditions, were led

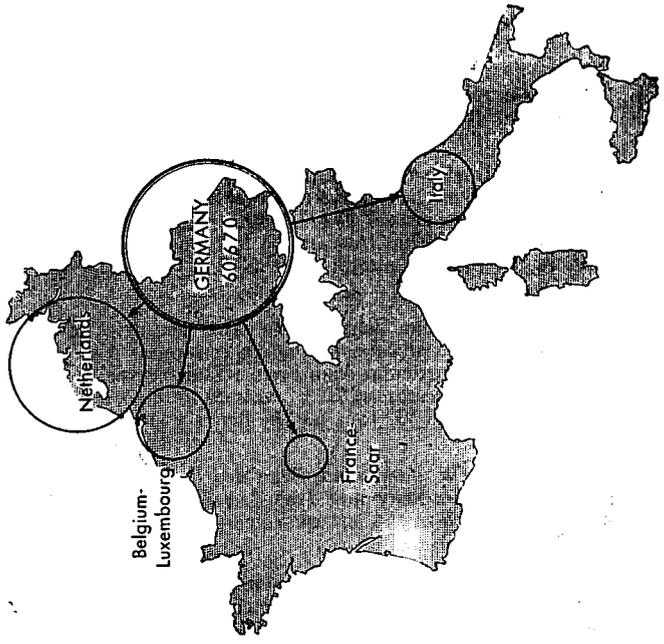
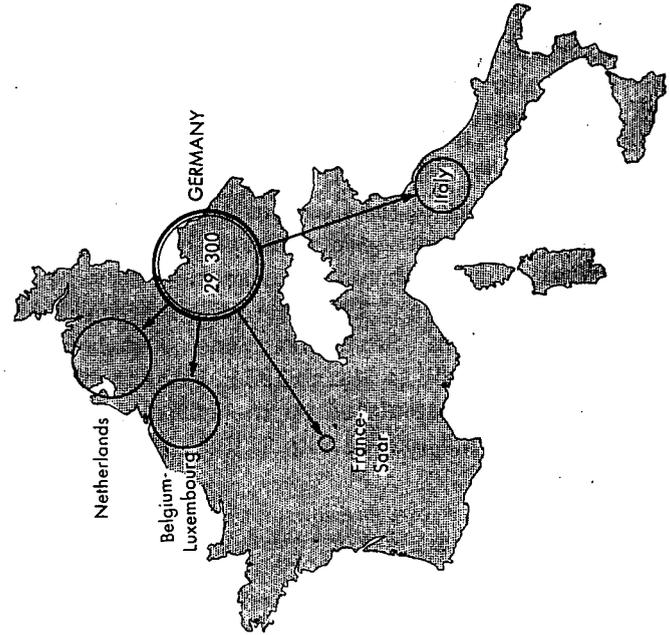
# Trade in iron and steel products within the Community

October-December 1953  
(monthly average)

## GERMANY

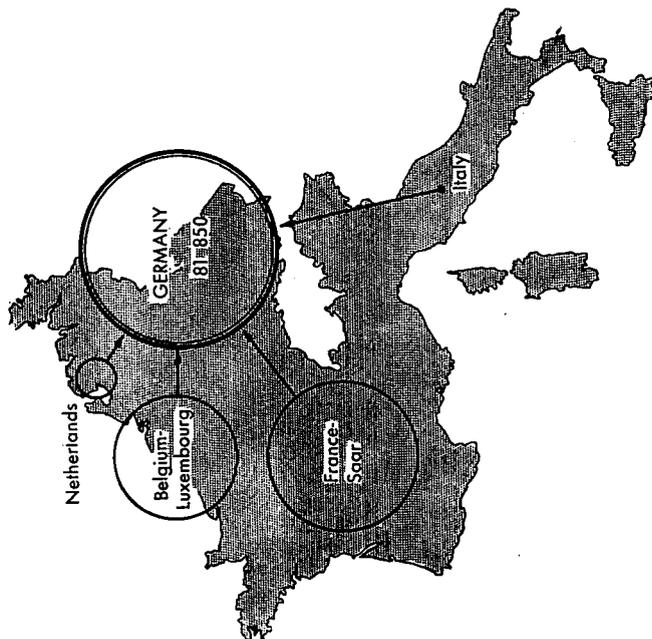
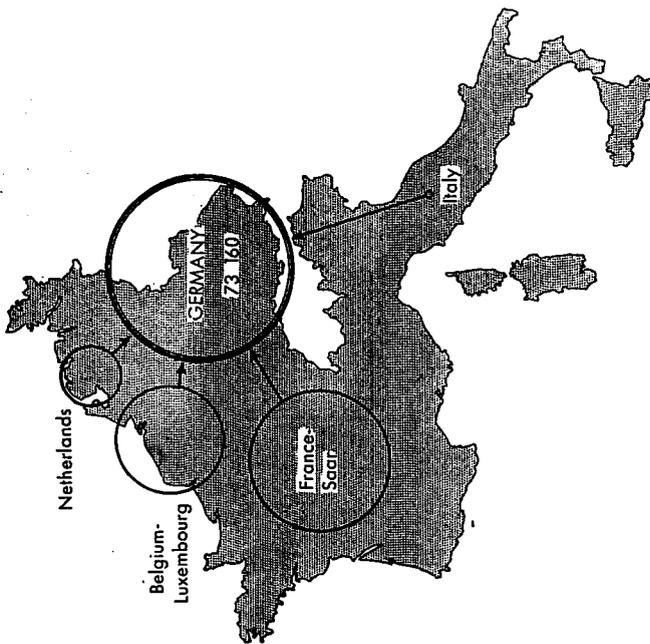
January-June 1953  
(monthly average)

DELIVERIES FROM GERMANY TO OTHER COMMUNITY COUNTRIES  
(in metric tons)



DELIVERIES TO GERMANY FROM OTHER COMMUNITY COUNTRIES

(in metric tons)



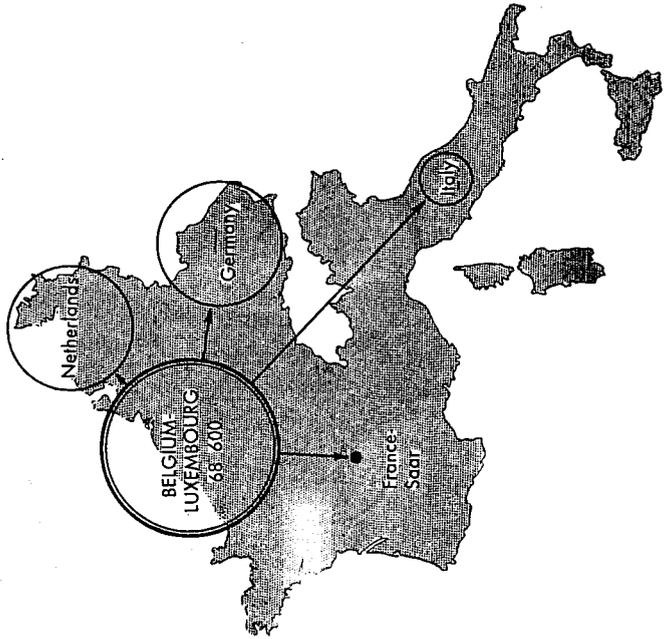
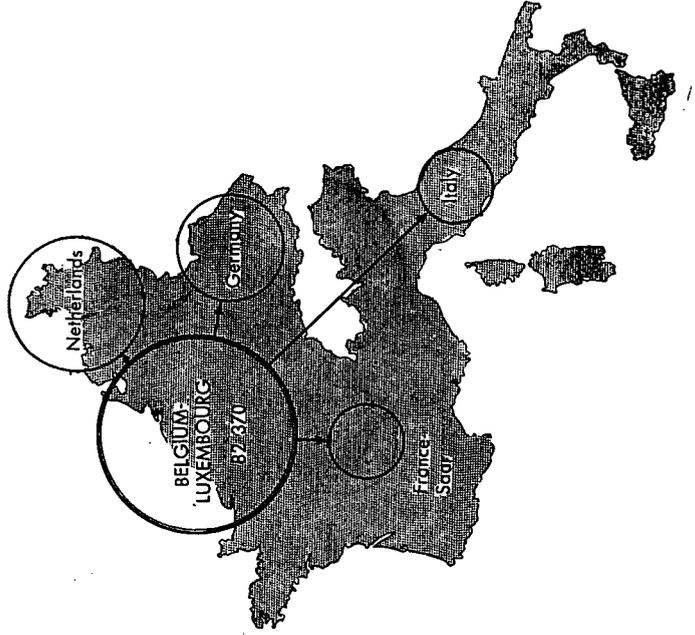
# Trade in iron and steel products within the Community

October-December 1953  
(monthly average)

## BELGIUM-LUXEMBOURG

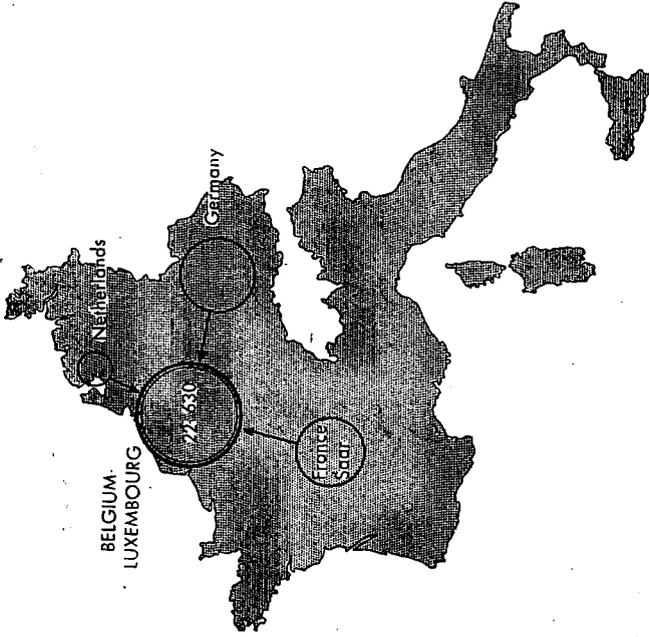
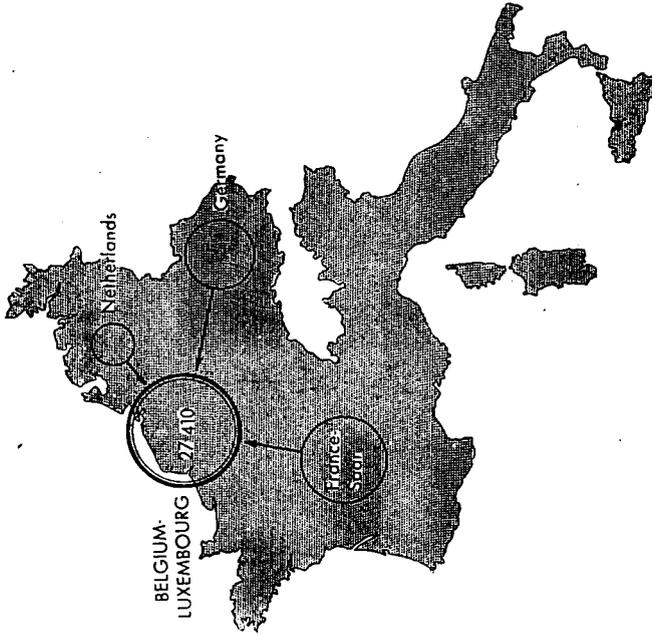
January-June 1953  
(monthly average)

DELIVERIES FROM BELGIUM AND LUXEMBOURG TO OTHER COMMUNITY COUNTRIES  
(in metric tons)



DELIVERIES TO THE BELGO-LUXEMBOURG ECONOMIC UNION FROM OTHER COMMUNITY COUNTRIES

(in metric tons)



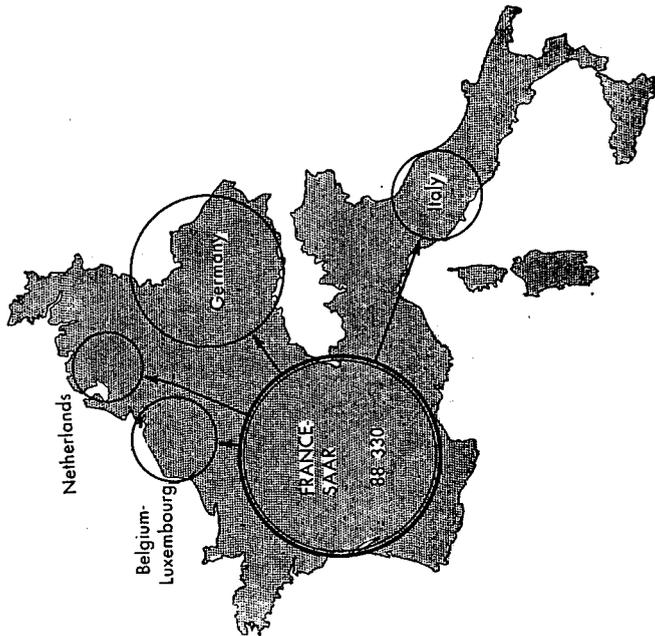
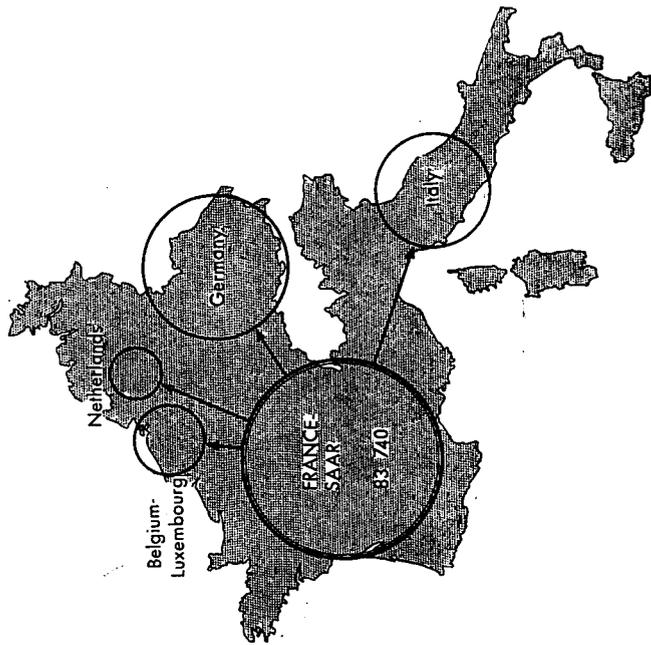
# Trade in iron and steel products within the Community

October-December 1953  
(monthly average)

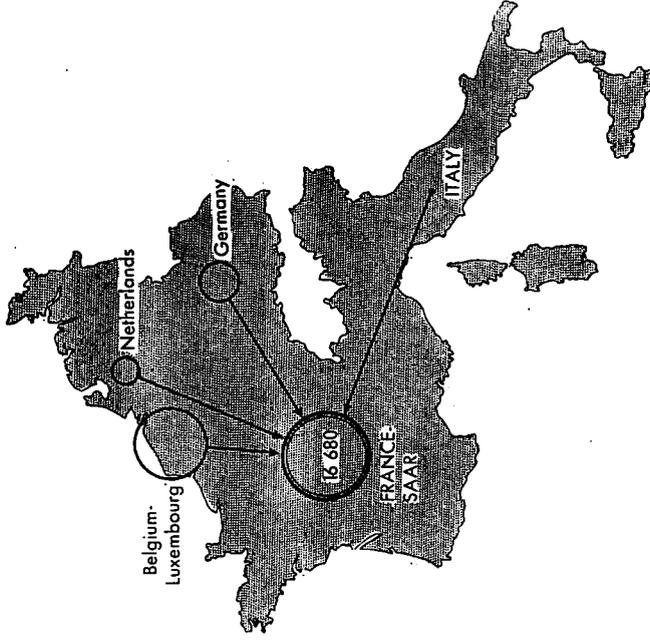
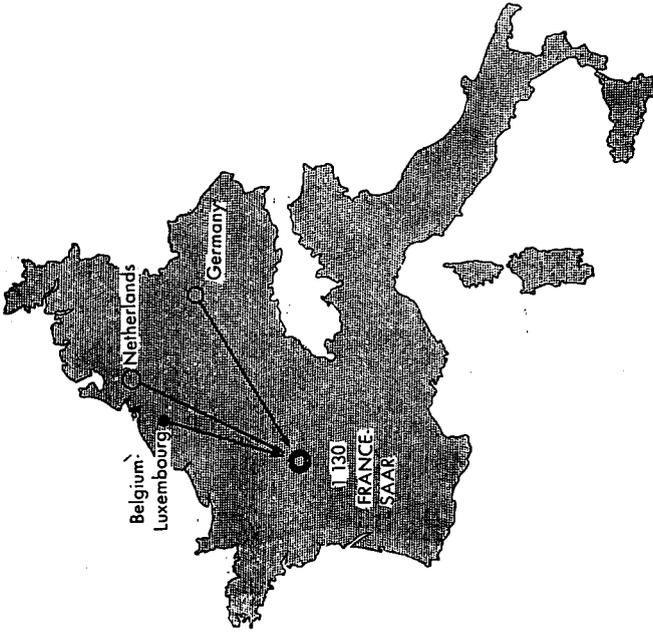
## FRANCE-SAAR

DELIVERIES FROM FRANCE AND THE SAAR TO OTHER COMMUNITY COUNTRIES  
(in metric tons)

January-June 1953  
(monthly average)



DELIVERIES TO FRANCE AND THE SAAR FROM OTHER COMMUNITY COUNTRIES  
(in metric tons)



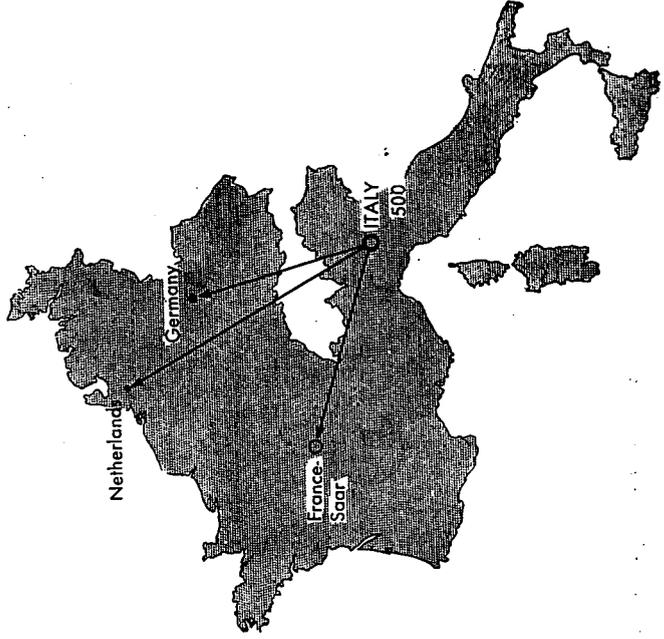
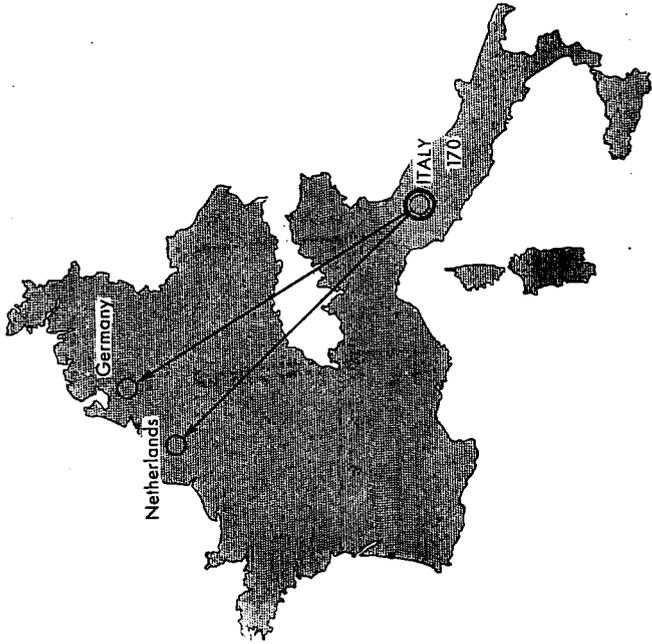
# Trade in iron and steel products within the Community

January-June 1953  
(monthly average)

ITALY

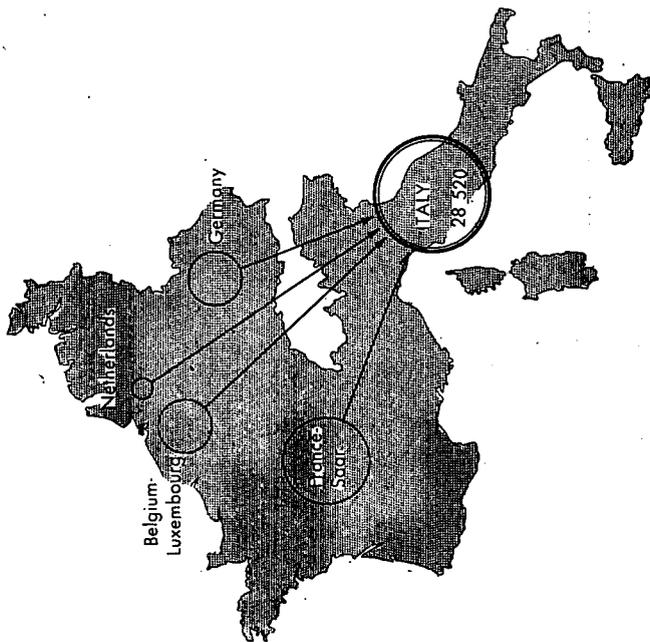
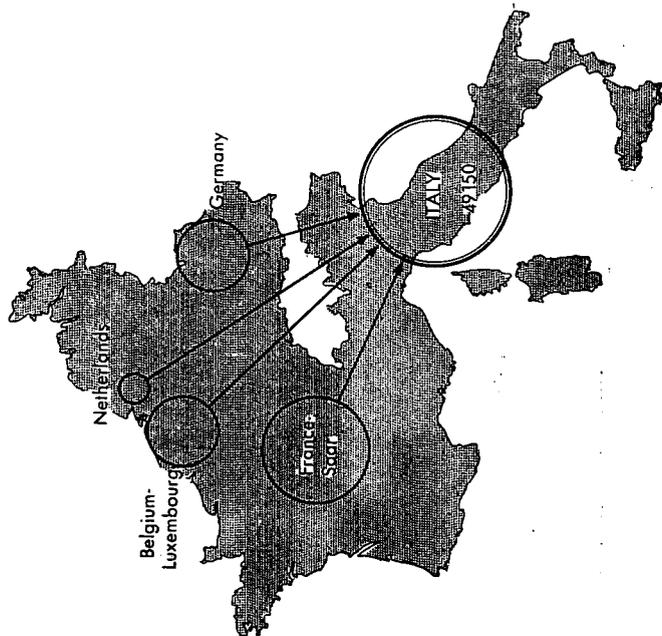
October-December 1953  
(monthly average)

DELIVERIES FROM ITALY TO OTHER COMMUNITY COUNTRIES  
(in metric tons)



DELIVERIES TO ITALY FROM OTHER COMMUNITY COUNTRIES

(in metric tons)



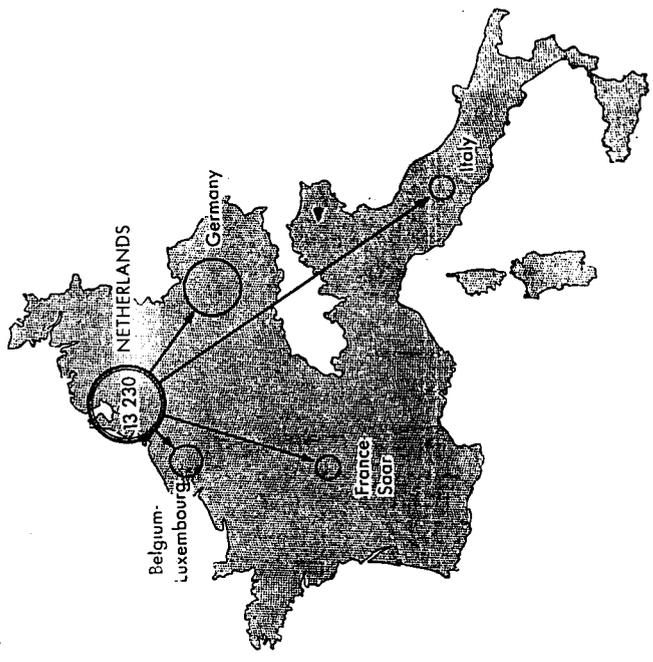
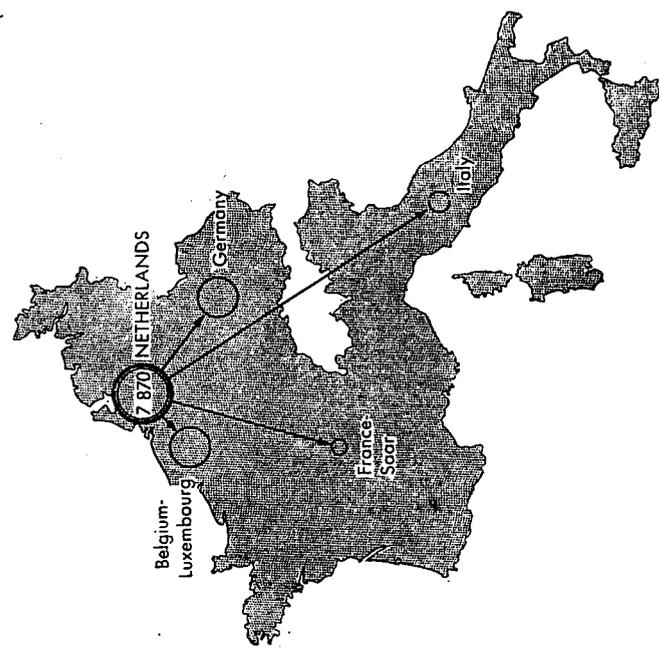
# Trade in iron and steel products within the Community

October-December 1953  
(monthly average)

## NETHERLANDS

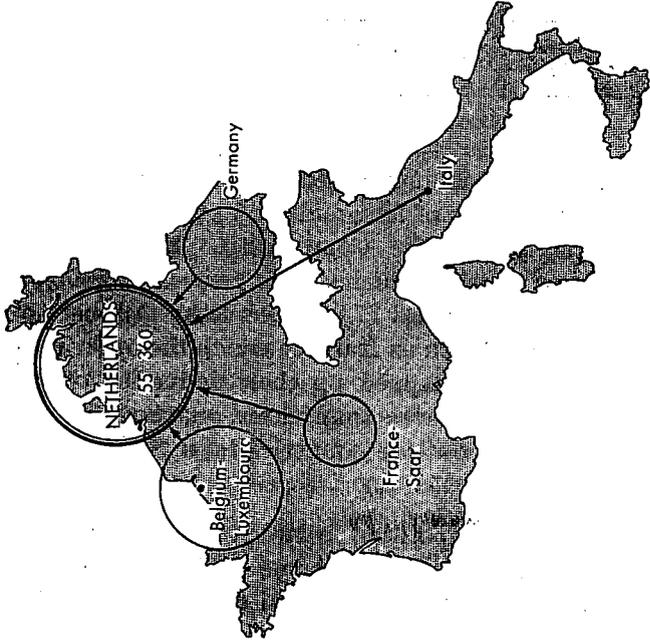
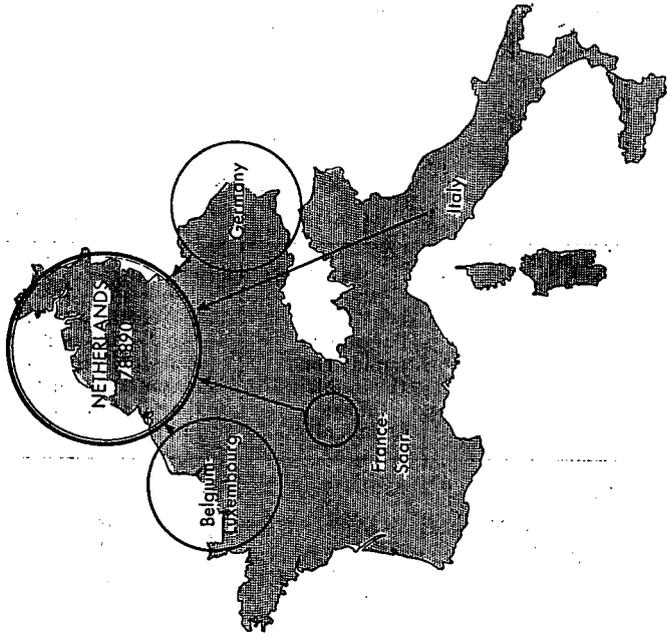
DELIVERIES FROM THE NETHERLANDS TO OTHER COMMUNITY COUNTRIES  
(in metric tons)

January-June 1953  
(monthly average)



DELIVERIES TO THE NETHERLANDS FROM OTHER COMMUNITY COUNTRIES

(in metric tons)



to seek markets in those areas of the common market where demand was relatively stronger, for instance in Germany, the Netherlands and Italy.

If there were no common market, in a similar economic situation, producers who desired to keep up their production and employment levels by selling outside their national frontiers, would fall foul of the protectionist systems set up by other countries. In countries suffering from a relatively more pronounced economic recession, producers would have made their situation still worse by effecting reductions in their steel production, perhaps on a large scale. In countries where expansion was in progress and in those where recession had reached only small proportions, consumers would not have been able to benefit by the price reductions which competition has produced for them.

39. Competition has had one further effect: it has helped producers to take a different view of their own situation and of their future within the common market. Some of them have thus been induced to carry out certain structural alterations to their undertakings (e. g., specialization and the abandonment of out-of-date manufactures), which had for a long time been frequently advocated by national experts and governments, but which had been put off until the time when competition became a reality.

#### PRICES

40. As is well known, the establishment of the common market for steel, on May 1, 1953, put an end to the price-fixing systems previously in existence. In some countries of the Community, it was the first time for very many years that producers were free to fix their own prices in accordance with market indications, subject, of course, to the rules laid down in the Treaty.

After a period during which producers tried to keep price schedules at a level inconsistent with the movements of demand — a level from which the prices actually charged deviated in differing degrees — the schedules themselves had to be adjusted (1).

The new schedules which became effective as from February 1954, show reductions of up to 12% in relation to the earlier schedules.

Over and above these reductions, most producers immediately granted to their customers, for almost all products, the benefit of the margin of 2.5% which they are henceforth authorized to allow without being obliged to publish new schedules.

*Under these conditions, prices at present in force in the Community are generally lower than the prices which were in force before the common market was set up.*

41. On the export markets, the prices charged by producers in the Community have also fallen during the last ten months.

In the United Kingdom, the difference between home and export prices has grown continually smaller. Export prices are all the time being lowered, while home prices are tending to rise under the influence of increased wages and transport costs.

42. A comparison between the internal prices of the Community, the United Kingdom and the United States shows that the lowest prices charged by producers in the Community are, in the case of many products (billets,

(1) See below, Nos 74 - 78 for reference to decisions taken by the High Authority at the beginning of January 1954.

sheet-bars, wire rods), lower than those of British producers, while in the case of other products, they are slightly higher; they are still lower than those of American producers, except for strip and sheets.

TABLE N° 4

Comparison of internal steel prices <sup>(1)</sup>*(in Dollars per metric ton)*

	Community <sup>(2)</sup> (Basic Bessemer steel)	United Kingdom Open-hearth steel	United States Open- hearth steel
Billets . . . . .	64	67.85	68.35
Sheet-bars . . . . .	66.35	67.70	68.35
Merchant bars . . . . .	85	75.75—86.10	91.50
Sections . . . . .	84.70	75.75	90.40
Wire rods . . . . .	83	85.05	99.75
Strip . . . . .	96.35	89.10	86.55
Plates . . . . .	94.75	80.80	90.40
Medium sheets . . . . .	97	90.40	90.40
Thin sheets . . . . .	113.80	111.10	86.55

<sup>(1)</sup> Prices ex-works or basing point at the end of March 1954. As will be seen, the comparison is between basic Bessemer steel and open-hearth steel; this is a justifiable comparison, since apart from ship-building plates and a few special products, consumers in the Community use basic Bessemer steel instead of open-hearth steel.

<sup>(2)</sup> Lowest prices.

43. It is less easy to make comparisons in regard to export prices, in view of the differences from one transaction to another. The prices given below should probably be considered as maximum prices. They show that the exporters of the Community are generally in a position to meet British competition, except as regards thin sheets. Despite recent reductions, of which details are not yet available, the prices charged by American exporters would seem to be still somewhat higher (except as regards thin sheets) than those of producers in the Community.

TABLE N° 5  
Comparison of steel export prices <sup>(1)</sup>

(in Dollars per metric ton)

	Community <sup>(2)</sup> (Basic Bessemer steel)	United Kingdom <sup>(3)</sup> (open-hearth steel)	United States <sup>(4)</sup> (open- hearth steel)
Billets . . . . .	66	—	79.35
Sheet-bars . . . . .	69.50	—	79.35
Merchant bars . . . . .	82	87.50—88.25	105.15
Sections . . . . .	82	91	103.60
Wire rods . . . . .	84	—	110.90
Strip . . . . .	95	—	100.30
Plates . . . . .	98	104.70	103.60
Medium sheets . . . . .	98	121.25	103.60
Thin sheets . . . . .	131.30	128	121.90

(1) Prices FOB North Sea port.

(2) Prices fixed by agreement between producers and given here by way of indication; the real prices, as is well known, are lower by varying amounts.

(3) British producers are authorized to lower their export prices to the level of the home prices.

(4) Prices in force at the end of 1953; since reduced by from 1 to 10 %.

In order to compare these export prices with the home prices of the corresponding countries, it must be observed that we are dealing here with FOB-prices, which therefore include to a greater or lesser degree the cost of transport.

## IRON ORE

### TRADE

44. Before the common market was set up, French iron ore, the production of which represents more than two-thirds of the total iron ore production of the countries of the Community, was subject to quantitative restrictions on exports. These were abolished on February 10, 1953 and there was an immediate increase in deliveries to other countries of the Community, particularly Belgium and Luxembourg.

Over the whole of 1953, French iron ore mines delivered to Belgium and Luxembourg over 9 million metric tons of iron ore, or 10% more than in 1952.

This increase in deliveries enabled the French mines to increase their production by 4.1%, despite reduced consumption in the French iron and steel works, due to developments in pig-iron production. At the same time, the Belgian iron and steel industry, as a result of the improved supply of iron ore, was able to limit its scrap consumption.

#### PRICES

45. The establishment of the common market for iron ore not only did away with the quantitative restrictions previously in force, but also resulted in eliminating dual prices. Whatever the destination of the iron ore, purchasers henceforth pay the same price ex-mine. In addition, the High Authority decided that the prices of iron ore should be free. The new schedules published by the French mines in Lorraine fixed the price at about 1,240 French francs per metric ton, which is slightly below the level of the former export price (1,325 francs) and higher than the former internal price (854 francs). Since the beginning of 1954, the general trend of the market, and in particular the price reductions obtained for purchases of Swedish ore, have had the effect of lowering the price of Lorraine ore by about 10%.

In the last analysis, *non-French iron and steel enterprises, which buy their iron ore in the common market, at present benefit by a price ex-mine reduced by 14% in relation to the earlier figure; to this price reduction must be added the fact that all Belgian iron and steel enterprises enjoy an average saving of 15% on transport charges, because French iron ore dispatched to other countries in the Community is henceforth subject, in France, to the same transport rates as iron ore delivered to French works.*

## SCRAP

## TRADE

46. Before the common market was established, deliveries of scrap to other countries were prohibited or controlled in all the member-States of the Community. After a brief period of adjustment, the free movement of scrap within the market was put into effect on March 15, 1953, at the same time as maximum prices were fixed and a compensation scheme organized for tonnages imported from third countries.

Purchases of scrap by consumer countries from other countries of the Community rose sharply as soon as the common market was opened. The figures were 36,000 tons par month in 1952, 39,300 tons per month for the first quarter of 1953, 60,000 tons for the second and third quarters, and nearly 160,000 tons for the last quarter.

Between the first and the fourth quarter, the percentage of scrap consumed in some country of the Community other than that in which it was collected rose, in relation to total scrap consumption, from 2.4 to 10%.

The main increase in purchases from other countries of the Community, in particular from Germany and France, was made by Italy, more than three quarters of whose iron and steel production is based on scrap. For this reason, *the Italian iron and steel works were able to limit their scrap imports from third countries.*

## PRICES

47. As a precautionary measure, and in view of the difficult situation still prevailing in regard to scrap supplies in the Community, the High Authority, on setting up the common market, fixed maximum prices for scrap.

For basic scrap, and within the area bordering on large consumer centres, the price was fixed at 36 dollars (E.P.U. units of account) per ton ex-dealer's yard (including margin). This figure represented an average between the price extremes formerly applicable within the Community.

Experience has shown that this price was judiciously chosen. After a little wavering, the common market adjusted itself to this figure, and the downward trend anticipated by the High Authority soon became apparent. In mid-June, the common market was able to absorb, without difficulty, the reduction of three dollars announced by the High Authority at the time when the maximum prices were fixed. On January 15, 1954, the prevailing economic situation enabled the High Authority to make a further reduction of three dollars in the maximum price, which thus became fixed at 30 dollars. Finally, during the month of March, the High Authority, after reconsidering the market situation as a whole, decided to abolish the system of maximum prices, whilst maintaining — and even strengthening — the compensation scheme for imported scrap, since this remains an essential factor in maintaining the stability of the common market. <sup>(1)</sup>

## Section 2 — Application of first decisions and modifications suggested by experience

48. When setting up the common market, the High Authority expressly stated that it would keep constant watch on the development of the market and would modify its first decisions in the light of experience, in order to come closer to the objectives of the Community.

In recent months some modifications have in fact been made to the initial decisions on *coal, steel and scrap*.

<sup>(1)</sup> See below, Nos 79 to 86.

## COAL

## NEW PRICE REGULATIONS

49. At the time when the common market for coal was established, the High Authority laid down the price system which would be effective up to March 31, 1954. In doing so, it decided that in the principal coal-fields of the Community the following rules would apply:

- for each type of coal there would be an upper limit, representing the weighted average of the prices of the various grades;
- for each type of coal, there would be a ceiling price above which no grade could be sold;
- for certain grades, in particular coking fines and blast furnace coke, ceiling prices would be fixed.

At the same time, the High Authority had undertaken to abolish on the opening of the common market, all discriminations resulting from various measures previously decreed by the national governments, such as subsidies or other special charges. It nevertheless agreed that, for the time being, some of these should be wholly or partially retained, where their immediate abolition appeared incompatible with legitimate considerations of a social or economic character.

50. The High Authority was called upon to state its opinion on the coal market regulations which would come into force on April 1, 1954. From the beginning of the year, discussions took place with representatives of the governments and the various coal-fields concerned with a view to ascertaining their views on the possibility of abolishing such subsidies and special charges as had been provisionally retained. Their views were also sought on the

expediency of extending, modifying or suppressing the system of maximum prices which had been in force during the previous coal year.

*Decisions concerning the price system*

51. The question of the expediency of retaining a system of maximum prices for coal, and of determining what price level, if any, should be laid down by such a system, was closely studied by the Consultative Committee and the Council of Ministers.

52. In reply to questions asked by the High Authority, the Consultative Committee, at its plenary meeting on March 11 and 12, 1954, expressed the opinion that the market situation did not justify the maintenance of a system of maximum prices. Some members, however, thought that it was necessary, others that it was permissible, to retain this system for a fresh period of limited duration, so as to take account of the following factors:

- the pattern of competition on the common market, in particular the existence of common selling and purchasing organizations.
- the problem of balanced employment,
- uncertainty concerning future market developments, on account of exports to and imports from third countries,
- the need to maintain production capacity even in periods of recession,
- the difficulties experienced by the marginal collieries.

In the Council of Ministers, which first held an exchange of views with the High Authority on February

27, 1954 and was formally consulted on March 12 and 13, the Ministers of two coal producing countries and of one consumer country expressed themselves in favour of retaining a maximum price system, while the Ministers of the other three countries spoke in favour of freeing coal prices.

53. Although the development of the market has been such that maximum prices need no longer be fixed, the present structure of the common market, in the absence of any maximum prices laid down by the High Authority, would have led to the position that coal prices would in fact have been determined by the Ruhr Sales Organization and the collieries of the Nord and Pas-de-Calais coal-field.

The present selling system in the Ruhr precludes any form of effective competition between the enterprises or agencies of that coal-field, the organization of which, in view of the nature and volume of its production, has a predominant influence on the common market as a whole. On the other hand, the present methods of distributing coal through trade between the countries of the Community, together with the tariff regulations still applicable to international transport, are a limiting factor on effective competition in the French market, where the influence of the Nord and Pas-de-Calais is preponderant.

This situation might well have produced effects on prices, production, or the employment of workers, which would have been contrary to the aims of the Treaty.

On the basis of these enquiries, exchanges of views and consultations, the High Authority, after considering the various possibilities open and taking account of the development of the common market and of the special problems of the moment, decided to maintain a system of maximum prices, but to limit it to the coal-fields of the Ruhr and the Nord-Pas-de-Calais. <sup>(1)</sup>

<sup>(1)</sup> Decision N° 18/54 of March 20, 1954. *Official Gazette of the Community*, dated March 24, 1954.

However, even as regards these two districts, for which prices continue to be controlled, the High Authority has made some provisions for relaxing this control to the extent that the maximum prices will henceforth no longer apply to the average prices of the grades of the various types of coal (average maximum prices).

54. As regards the price level to serve as a basis for decisions on maximum prices, the High Authority has paid due regard to all important factors bearing upon the application of Article 3 of the Treaty. In this connection it has taken account, in particular, of the abolition, with effect from April 1, of the special charges which had hitherto to be borne by the Ruhr collieries.

Bearing in mind the interests of producers on the one hand, and of various groups of consumers on the other, it is the considered view of the High Authority that a reduction in the price of Ruhr coal, and the maintenance of the price level for coal from the Nord and the Pas-de-Calais coal-field, would best reflect the present market situation (1).

#### *Types of price quotation and zonal prices*

55. In the coal sector the alignment of prices with those of other enterprises also belonging to the Community was prohibited for a limited period ending on March 31, 1954. The Consultative Committee has agreed that this prohibition should be prolonged. It is clear that during the period when the common market was being established, disturbances might well have been caused in the production conditions of undertakings as well as in the flow of transport, if competition were not founded upon precisely defined price basing points.

(1) Decision N° 19/54 of March 20, 1954. *Official Gazette of the Community, dated March 24, 1954.*

The High Authority decided to extend indefinitely its earlier decision on this point (1). The new decision, like its predecessor, stipulates that — apart from a limited number of specifically listed cases in which zonal prices have been authorized, and apart from the possibility of alignment with quotations from enterprises outside the Community, as provided for in Article 60 — coal-mining enterprises must exclusively apply their own price-schedules to sales within the common market.

The special provisions applicable to sales of Belgian coal to customers in other countries of the Community (2) are not affected by this decision.

56. The zonal price regulations previously decided by the High Authority have been kept in force for a further period of 12 months. In some cases they were subject to modifications in the light of changes in the price system, viz.: in respect of sales in Germany from the Aix-la-Chapelle (Aachen) coal-field, and sales from Lorraine and the Saar mines in South Germany, on the one hand, and certain areas in France on the other; they also affect sales of coke from Belgian coking plants (3).

New zonal prices have also been introduced for a period of one year in order to take into account the development of the common market. They apply to certain markets served by the Lower Saxony coal-field and the Helmstadt lignite mines (4).

The question whether the above-mentioned zonal price regulations should be maintained or introduced was in each case subject to a determining factor. This was the consideration that, since in coal-selling transactions align-

(1) Decision N° 6/54 of March 19, 1954 extending the validity of Decision N° 3/53 of February 12, 1953. *Official Gazette of the Community, dated March 24, 1954.*

(2) See below, N° 71.

(3) See General Report of April 1953, N° 66, and Decisions N°s 9/54 to 14/54 of March 19, 1954, *Official Gazette of the Community, dated March 24, 1954.*

(4) Decisions N°s 7/54 and 8/54 of March 19, 1954. *Official Gazette of the Community, dated March 24, 1954.*

ment with the delivered prices of a competitor was forbidden, the absence of any such regulation would either have caused a hurried shift of production, fraught with danger to the coal-field in question, or would have imposed on certain classes of consumers price increases the magnitude and suddenness of which would have had harmful effects.

*Arrangements in the various countries*

57. The Convention containing the Transitional Provisions permits the High Authority to agree to the temporary retention of assistance, subsidies or special charges already introduced by the governments before the common market was set up. Anxious not to cause any disturbance in the economic and social life of member-countries, the High Authority, on establishing the common market, made a cautious beginning with the abolition of such practices. After the common market had been functioning for a year, it took the second step by deciding upon the suppression of a further series.

58. In *Germany*, the items affected were certain special charges imposed by the Federal Government on the German collieries, in favour of certain classes of consumers, such as the Federal and non-Federal Railways, inland water transport, deep sea fishery, and domestic households.

After numerous talks with representatives of the Federal Government and the collieries the High Authority considered that, in view of the provisions of the Treaty which envisage the quickest possible abolition of existing special charges, unless their maintenance is justified by urgent economic and social considerations, price and supply conditions on the common market had developed in such a manner that the whole of these charges could be suppressed with effect from April 1, 1954 <sup>(1)</sup>.

<sup>1)</sup> Decision N° 17/54 of March 20, 1954 and letter from the High Authority to the Federal Government, dated March 17, 1954. *Official Gazette of the Community*, dated March 24, 1954.

As regards the special charge in favour of household consumers, the High Authority had been informed that, with the approval of the Federal Government, an agreement had been concluded between the collieries and the Trade Unions. By virtue of this agreement, price reductions for domestic consumers are to be generally abolished, but at the same time a special fund will be instituted to provide assistance to a small number of consumers in the lowest income-groups. The High Authority expressed its agreement with this arrangement, the effect of which is to eliminate a situation which runs counter to the principles of the Treaty; it is for this reason, when making its decision, the Authority formally insisted upon the abolition of this special charge.

59. In *France*, at the time when the High Authority took its decisions on the new regulations governing coal prices, a number of prior conditions still required definition before it was possible finally to ascertain to what extent subsidies paid by the French Government, as well as the compensation scheme in operation between the French coal-fields, should be maintained or not. In particular, the final prices of Ruhr coal were not yet known at that time. It is these prices which are the determining factor in subsidies on coking coal and coke delivered to France, and which also determine subsidies on deliveries of French and Saar coal to Southern Germany. Moreover, account had to be taken of the fact that the common selling and purchasing organizations still in existence in the countries of the Community are at present being investigated, in order to ascertain to what extent they result in restricting or distorting competition on the common market.

Being of the opinion that the considerations which in March 1953 led to the decisions on this subject (1) still hold good, at any rate for the time being, the High Authority authorized the maintenance of the following subsidies

(1) See *General Report of April 1953*, Nos 68 - 73.

and other measures, in each case for the period stated, on the understanding that up to various specified dates the High Authority reserves the right to re-examine the whole question <sup>(1)</sup> :

- Subsidy for deliveries of coal to patent fuel factories not belonging to the mines, up to March 31, 1954, in accordance with Decision No. 16/54 of March 20, 1954, which entails an appreciable reduction in subsidies;
- Subsidy on coking coal and coke delivered to France, up to June 30, 1954;
- Subsidy on deliveries of Saar/Lorraine coal to Southern Germany, up to September 30, 1954;
- Compensation scheme between the coal-fields, up to March 31, 1955.

60. In the *Netherlands*, the High Authority had last year, authorized the maintenance of a compensation scheme the object of which was to ensure that consumers pay one and the same price for each grade, irrespective of origin or destination. With effect from March 31, 1954, the Government of the Netherlands, on its own initiative, abolished this compensation scheme insofar as it applies to coal for industrial purposes.

As regards household coal however, the Netherlands' Government requested, that the compensation scheme should be provisionally retained. The High Authority agreed, on certain conditions, and simultaneously informed the Netherlands' Government that it felt obliged to examine the question before September 30, 1954, since this compensation scheme is incompatible with the principles of the common market. In reply, the Netherlands'

<sup>(1)</sup> Letter from the High Authority to the French Government, dated March 20 1954. *Official Gazette of the Community*, dated March 24, 1954.

Government stated that it would make every effort to apply the decision as little as possible <sup>(1)</sup>.

#### BELGIAN AND ITALIAN COAL MINES

61. The Convention containing the Transitional Provisions, it will be recalled, <sup>(2)</sup> envisaged special provisions for the Belgian and Italian coal-mining industries, in particular the introduction of a compensation scheme. The latter comprises a levy on the coal production of countries where the average costs of production are lower than the weighted average of the Community, and provides for payments the object of which is:

— in the case of *Belgium*:

- to bring the price of Belgian coal to all consumers in the common market as close as possible to prices in the common market generally, so as to reduce Belgian prices to a level near that of the estimated costs of production at the end of the transition period (Section 26, number 2 a);
- to grant additional compensation for such exports of Belgian coal within the common market as the High Authority may find to be necessary; such compensation shall correspond to 80% of the difference between the delivered price (F. O. B. plus transport) of Belgian coal and the delivered price of coal from the other countries of the Community. (Section 26, number 2 c) <sup>(3)</sup>;

<sup>(1)</sup> Decision N° 23/54 of March 29, 1954, and letter from the High Authority to the Government of the Netherlands, dated March 29, 1954. *Official Gazette of the Community, dated March 31, 1954.*

<sup>(2)</sup> See General Report, April 1953, N°s 79 and 80.

<sup>(3)</sup> The Convention also makes provision for compensation payments to lower the price of Belgian coal delivered to the Belgian iron and steel industry, so as to ensure that the latter is not prevented from becoming integrated in the common market. It has not been necessary to apply this provision.

— in the case of *Italy*:

- to enable the Sulcis mines, pending completion of the investment operations now under way, to face competition within the common market.

62. The compensation levy bears upon the production of the German and Dutch mines. — Its rate was fixed on March 8, 1953 at 1.1% or 0.55 DM and 0.42 guilders per ton of merchantable production, respectively. This rate leaves a margin between the possible maximum of the levy (which will be reduced from 1.5% of the receipts for the first year of operation of the common market to 1.2% for the second year, etc . . .) and the actual levy, so that it was possible for the work of assessment, started on March 5, 1953, to be continued in the same manner after February 10, 1954.

The product of the compensation levy was \$ 14.2 million (E.P.U. units of account) for the period from March 15, 1953 to March 31, 1954, of which \$ 13 million were collected in Germany and \$ 1.2 million in the Netherlands.

For the same period, payments due from the High Authority amounted to \$ 10.9 million for Belgian and \$ 2.4 million for Italian coal.

*Belgian compensation provided for in Section 26, number 2 a.*

63. In order to fulfil the primary object of the compensation payments to Belgium, the High Authority drew up a selling-price-schedule for the Belgian coal-mining industry (1). It also set up an accounting-table showing the receipts of the Belgian mines in such a way that they will be maintained at the level they had reached before the common market was established (2).

(1) Decision No 24/53 of March 8, 1953. *Official Gazette of the Community*, dated March 30, 1953.

(2) See Annex to letter to the Belgian Government, dated March 8, 1953.

The difference between the prices in the selling-price-schedule and the accounting-table determines the amount of assistance granted monthly to the enterprises on the basis of tonnage sold. In respect of the total Belgian coal production, this difference amounts to 29 B. frs. per ton.

Several month's experience showed that it was desirable to adjust the selling-price-schedule so as to take better account, in the case of certain grades, of prices of coal from the Nord and Pas-de-Calais coal-field delivered to the principal consumer points in those French Departments. These adjustments were made in October 1953 <sup>(1)</sup>.

In December 1953, the prices were differentiated in order to take into account the special quality of the lean coal produced in the mines of the Liège coal-field <sup>(2)</sup>.

None of these adjustments affected the level of prices.

In March 1954, all the above measures were renewed <sup>(3)</sup>.

64. Although Section 26, number 2a, of the Convention, concerns the Belgian coal-mining industry as a whole, the production conditions in that industry are by no means uniform. The necessity of integrating the Belgian mines into the common market at the end of the transitional period without any special assistance on the part of the Community, thus gives rise to problems varying in intensity from one colliery to another. The measures taken by the Belgian Government during the years following World War II, when production costs in the Belgian coal-fields had become considerably higher than those in neighbouring

<sup>(1)</sup> Decision N° 40/53 of October 20, 1953. *Official Gazette of the Community, dated October 27, 1953.*

<sup>(2)</sup> Decision N° 41/53 of December 8, 1953. *Official Gazette of the Community, dated December 15, 1953.*

<sup>(3)</sup> Decision N° 15/54 of March 19, 1954. *Official Gazette of the Community, dated March 24, 1954.*

coal-fields, already took into account these differences, which are incidentally to be found in every coal-field but are at times extremely pronounced in Belgium.

After applying a system of inter-mine compensation and State subsidies, combined with prices regulation at the level of the average production cost, the Belgian Government, at the end of 1947, included in the selling prices a "grant-in-aid" of 35/45 B. frs. per ton to be earmarked for re-equipment purposes. The intention was to counteract the limitation on investments which was a consequence of the compensation scheme. In 1949, inter-mine compensation was abolished, while the grant-in-aid for re-equipment purposes was maintained. Certain marginal mines were then closed down and others amalgamated, while yet others received lump subsidies on a degressive scale on a short-term basis, together with so-called "contractual" subsidies sufficient to cover the computed working losses over a period of 5 years. They were also allocated credits for re-equipment, the first annual payments being provided out of the first "tranche" of the credits under the Marshall Plan (E. R. P.) allotted to the Belgian coal-mining industry.

While Belgian coal policy was thus being reformed, a re-equipment programme had been introduced in 1949. As a result, it was possible to raise the investments per ton from 37.7 frs. in 1949 to 96.28 frs. in 1952, and output underground increased from 926 to 1042 kgs.

When Belgium joined the European Coal and Steel Community, the investment plan was still further extended in order to meet the conditions under which the Belgian mines would be required to work at the end of the transitional period. The total amount of investments considered necessary was about 12.9 milliard B. frs., three quarters of which have to be found from the enterprises' own resources.

Any such self-financing of capital investment is possible only in enterprises which work with an adequate profit margin. Since average receipts had been maintained at their previous level, i. e., in the neighbourhood of the average cost of production including the "grant-in-aid for re-equipment", those enterprises whose output was equal to or higher than the average figure were in fact in a position to improve their working conditions. However, since the latter were widely divergent, there were a number of enterprises — in particular those in which disparity of output is not offset by disparity of receipts, on account of the qualities produced — which were unable to make an adequate effort towards self-financing. In order to fill the gap, credits, and in some cases the "contractual subsidies" mentioned above, were set aside for the benefit of such mines, insofar as they were considered capable of improvement.

65. Contractual assistance provided for in 1953 amounted to 200 million B. frs. This assistance is in line with the declared objective of the compensation scheme, since it temporarily enables the enterprises concerned to sell at a lower price without endangering their production and re-equipment. The High Authority therefore decided, at the request of the Belgian Government, to include this subsidy in that government's contribution to the compensation payments <sup>(1)</sup>.

As has been stated above, this compensation makes it possible to reduce the selling price by an average of 29 frs. per ton, while maintaining receipts at their former level. Within the compensation scheme as a whole, contractual assistance is a reflection of the prevailing diversity of operating conditions in the Belgian mines.

66. The foregoing is a survey of the measures taken by the Belgian Government and enterprises in order to

<sup>(1)</sup> See letter of March 8, 1953, to the Belgian Government.

integrate the Belgian hard coal mines progressively into the common market. Since that common market was set up a special responsibility in this field has devolved upon the High Authority. The latter must ensure that the maximum amount of the subsidies and the total tonnage subsidized are reduced as quickly as possible, so as to attain the objectives set forth in the Treaty. With this consideration in mind, the High Authority has instructed its appropriate departments to devote a detailed study to all these problems. This work, covering actual results and future prospects for the application of the compensation scheme is being carried out in collaboration with Belgian Government Departments and should be completed towards the end of June. Upon its outcome will depend any changes which may be made in the methods by which the scheme is operated.

67. In the meantime, it became clear towards the end of 1953 that certain marginal mines in the Borinage coal-field were facing difficulties which might lead to their immediate closure. This situation led the Belgian Government to apply to the High Authority for the authorization of precautionary measures designed to allow these mines to continue working until such time as definite conclusions about them can be reached.

The measures envisaged comprise on the one hand the continuance of the contractual subsidies at the figure of 200 million B. frs., and on the other hand the establishment of an assistance fund.

68. Agreements concluded between the Belgian Government and the coal-mines concerned provided for a reduction of "contractual assistance" from 200 million in 1953 to 114 million in 1954. Faced with the above-mentioned difficulties, the Belgian Government requested

the High Authority to maintain the allocation of the Belgian contribution to the compensation payments for 1954 at the same level as that agreed for 1953. In other words, a sum of 200 million B. frs., included in the Belgian Government's payment under the heading of compensation, would be used to assist three mining enterprises in the Borinage coal-field.

By letter dated February 17, 1954, the High Authority gave its agreement to this proposal, with the object of allowing the Belgian Government the necessary time to reach conclusions on the problems connected with the Borinage mines. This agreement was given subject to its being without prejudice to any subsequent change now under consideration in the methods of applying the Belgian compensation.

69. An additional precautionary measure envisaged by the Belgian Government consists of the temporary introduction, by virtue of Section 24, para. 3, of the Convention, of a compensation scheme financed by a levy of 120 million B. frs. on national coal production. This scheme should enable an assistance fund to be set up to the benefit of the three above mentioned enterprises which in 1953 produced 2,760,000 metric tons of coal (mainly coking coal).

On March 18, 1954, the High Authority temporarily authorized the introduction of such a scheme <sup>(1)</sup>.

It further intends, at the request of, and in collaboration with, the Belgian Government, to set up a Committee composed of independent experts, whose terms of reference will be to examine the rationalization pro-

<sup>(1)</sup> Decision N° 5/54 of March 18, 1954. *Official Gazette of the Community, March 24, 1954.*

grammes of the coal-mines concerned, with a view to adapting the Belgian coal-mining industry to the conditions of the common market, in conformity with Section 26 of the Convention.

70. Total compensation under Section 26, number 2 a of the Convention amounts to about 965 million B. frs. from March 1953 to February 1954, including contractual assistance (182 million). The contribution of the Community, which is equal to that of Belgium, thus amounts to about 482 million B. frs.

*Belgian compensation under Section 26, number 2 c*

71. The second aim of Belgian compensation concerns deliveries of coal to other countries in the Community.

These provisions were applied in accordance with the following system:

The Belgian mines submit, in respect of each quarter, a programme of deliveries which could be made to other countries in the Community with the help of the additional compensation. In the light of the production forecasts and the needs of the Community, the High Authority fixes the limits of that programme by type and grade. Next, the Belgian mines negotiate transactions within these limits and submit the contracts to the High Authority for examination. Finally, on the basis of documents showing proof that the contracts have been carried out, the compensation payments are made by the Belgian Government and the High Authority. Should the situation during any quarter render alterations necessary, delivery programmes are adapted to the circumstances.

In this way, the High Authority is able to exercise permanent control over the application of compensation, and at the same time ensure that the options afforded by Section 26, number 2c, of the Convention, are used in accordance with their objectives.

As early as June 1953, the High Authority had agreed that these provisions should be applied to deliveries of Belgian coal to Italy and the Netherlands. Between June 1 and September 30, 1953, the Belgian mines were able to negotiate deliveries within the scope of a programme limited to 100,000 metric tons per month for each of these destinations.

Later, in September 1953, this measure was extended to the fourth quarter, with certain modifications.

In December, the High Authority agreed to the conclusion of contracts to a total of 300,000 metric tons of coal for delivery to Italy and 400,000 tons to the Netherlands during the first quarter of 1954.

The High Authority next agreed, at the beginning of February, that these quantities be increased by 100,000 tons to the Netherlands and by 100,000 tons to Germany. The programme for the second quarter consists of 500,000 tons to the Netherlands and 300,000 tons to Italy.

The limits laid down in these programmes were as a general rule not reached, as the following table shows.

Altogether, the actual or forecast deliveries of Belgian coal allowed to benefit by compensation were as follows:

TABLE N° 6

Deliveries of Belgian coal  
benefiting by additional compensation

(in metric tons)

	Destination			Total
	Italy	Netherlands	Germany	
<b>1953</b>				
(actual deliveries)				
June. . . . .	62,417	7,456	—	69,873
3rd quarter . . . . .	263,412	243,399	—	506,811
4th quarter . . . . .	132,937	333,115	—	466,052
Total . . . . .	<b>458,766</b>	<b>583,970</b>	—	<b>1,042,736</b>
<b>1954</b>				
(ceilings of delivery programmes)				
1st quarter . . . . .	300,000	500,000	100,000	900,000 <sup>(1)</sup>
2nd quarter . . . . .	300,000	500,000	—	800,000

(<sup>1</sup>) In January and February 1954, actual deliveries reached a total of 373,800 tons, of which 104,800 were to Italy and 169,000 to the Netherlands.

From June 1953 to February 1954, more than half the Belgian deliveries to the common market, outside Belgium, benefited by the additional compensation, which amounted in all to about 125 million B. frs., half being borne by the High Authority and half by the Belgian Government. The compensation scheme has made a considerable contribution to the sale of Belgian coal and has thus helped to counter the threat represented by the financial burden of excessive stock-piling, namely that the investment effort would be impaired.

#### *Belgian compensation: Conclusions*

72. As has been stated above, the High Authority must ensure that the amount of the subsidies and the tonnage subsidized are reduced as quickly as possible. In order to be certain that the methods by which the compensation is applied are in fact such as will make it possible to integrate the Belgian mines into the common

market, without any special assistance from the Community, at the end of the transitional period, it has embarked upon a thorough study of all aspects of this problem, in agreement with the Belgian Government. This study is now in progress.

Although it will not be concluded until the end of June 1954, certain general and provisional conclusions can already be drawn from it. Thus it has been found that the re-equipment programmes, of which mention has been made earlier, have hitherto been carried out by most of the mines, while the Belgian Government has not deemed it necessary to take any steps to isolate the Belgian market. This shows that the compensation has fulfilled its double purpose, namely to allow Belgian coal to be marketed at a reasonable price in the common market, whilst at the same time keeping up the investment effort.

It must be recalled that, while re-equipment schemes have generally been realized, fresh elements have revealed themselves during recent years: the financial burdens borne by the Belgian collieries have increased, in particular as a result of stock-piling; the price-level of the competing coals of the Community has fallen following recent decisions by the High Authority concerning maximum prices <sup>(1)</sup>.

The Belgian collieries will, therefore, be asked to make a sustained effort, as well as to make use of the possibilities opened up by Section 26 of the Convention, which ensures rationalization of production methods and the improvement of the quality of the production. Far-reaching changes may be necessary. But thanks to the safeguards embodied in the Treaty, it will be possible to prevent such changes from bearing the stamp of hasty or deleterious measures. The High Authority attaches great importance to drawing the maximum profit from the

<sup>(1)</sup> See above, Nos 49 - 55.

grace afforded by the transitional period, and is, therefore, anxious immediately to obtain all relevant data on estimates of re-equipment schemes now being carried out, and on their probable results.

On the basis of these data, it will be necessary to make certain that the compensation scheme continues to be applied in a manner which will show the best overall results, which means that it must be operated with due regard to successes already achieved and to future prospects. The High Authority is aware that to attain this objective, it will need to make a continuous study enabling solutions used at any given moment to be adapted, where necessary, to new circumstances. Nevertheless, the aim will always be the same, namely *the integration of the Belgian mines into a free common market without artificial protection, which will form an extremely valuable contribution to the economic development of the Community.*

#### *Italian mines at Sulcis*

73. The Convention also contains special provisions for the Italian mines at Sulcis, in Sardinia (Section 27 of the Convention).

As early as February 5, 1953, the High Authority established contact with the Italian Government. It was agreed that half the working losses of the Sulcis mines, which had hitherto been borne entirely by the Italian State as owners of the Società Mineraria Carbonifera Sarda, should be covered in the form of an Italian governmental subsidy, the other half to be supplied by the compensation payments of the High Authority.

The Italian Government agreed to this proposal, and at the same time announced that on the basis of estimates for the financial year 1953, the total losses of the Sulcis mines would be approximately the same as those

of the preceding year. The High Authority, therefore, expressed its willingness to make available to the Società Mineraria Carbonifera Sarda, with effect from March 15, 1953, a monthly sum equivalent to 1/24th of the working losses of the Sulcis mines over the last financial year, pending a final settlement on the part of the Italian Government and of the High Authority at the time when accounts are balanced for the financial year 1953.

It was possible to begin the compensation payments as soon as the methods for calculating and making the compensation payments were determined. In particular, it was necessary to ascertain whether the figure quoted by the Società Mineraria Carbonifera Sarda as the loss for the financial year 1952 did in fact represent the losses incurred by the actual operation of the mines, or whether it also reflected the losses in a whole number of activities, some of which might be totally unrelated to coal production. On August 28, 1953, an Italian delegation came to Luxembourg in order to discuss these questions with the High Authority.

Furthermore, the Italian Government had stated on July 19, 1953 that it could subscribe to the commitments arising from Sections 25 and 27 of the Convention only in the light of a new law which was not expected to be promulgated until several month later.

By reason of this delay in implementing the compensation schemes, the Italian Government found itself obliged to approach the District of Sardinia on the one hand, and two banks on the other, with the request that the company concerned be respectively granted subsidies and advance payments by way of a provisional settlement of subsidies due from the Italian Government. The Government further asked the High Authority to regard these subsidies and advances as sufficient proof of payment of the Italian contribution and at the same time requested

the High Authority to make provisional advance payments of a similar amount to the Sulcis mines.

In view of the very difficult financial position of these mines and its possible social repercussions, the High Authority, after obtaining adequate security, decided on October 16, to authorize the payment of 1,050 million lire to the Società Mineraria Carbonifera Sarda as an advance against compensation.

A second provisional advance of 450 million lire, under the same conditions as the first, was granted by the High Authority, as an exceptional measure, on December 29, 1953. This was in reply to a request by the Italian Government which, pending the promulgation of the bill now before Parliament, had made arrangements with two banks for further temporary payments, up to a similar amount.

On the basis of the working losses of the Società Mineraria Carbonifera Sarda for the financial year 1952, payments by the High Authority should amount to about 150 million lire per month. Since the two advance payments totalled 1,500 million lire (\$ 2,400,000), the High Authority thus paid a sum equivalent to 10 months compensation, for the period March 15, 1953 to January 15, 1954.

Meanwhile, by sending one of its experts to Sulcis and by discussing with the Italian Government Commissioner entrusted with studying the problems raised by these mines, the High Authority has obtained information which shows it to be extremely doubtful whether the Sulcis mines, by using the funds advanced, will be able to "face competition within the common market" at the end of a period of two years.

The Italian Government has been notified by the High Authority that it is an urgent necessity for the latter

to be kept informed of the progress made in the study on the technical, economic and financial reorganization of the Sulcis mines.

The law on governmental aid to the Sulcis mines as provided for in Sections 25 and 27 of the Convention, was passed by the Italian Parliament on December 30, 1953. The Italian Government undertook to submit in the very near future the plan for the reorganization of the Sulcis mines.

### STEEL

74. As was mentioned above <sup>(1)</sup>, the first price-schedules published by the iron and steel enterprises in the Community after the common market was set up revealed in some cases increases in relation to the prices formerly current. But even at that time there was a falling-off in the demand for steel, as a result of the slower economic tempo in some countries of the Community and of the shrinking of external markets.

There then arose a situation in which price-schedules were maintained unchanged, while the prices actually charged were considerably below the published prices, although admittedly there were great differences from one country or product to another. Thus the price-schedules no longer represented the prices actually current in the common market, which is contrary to the provisions of the Treaty.

When it became clear that the High Authority would have to intervene, its main concern was to find a solution which would not be restricted to the symptoms of the problem but would endeavour to attack the substance, by trying at the same time to introduce greater flexibility in the rules governing the publication of price-schedules,

<sup>(1)</sup> See N° 40.

and to induce enterprises to adjust their lists to the prices actually charged.

After consulting the Council of Ministers and the Consultative Committee, the High Authority — without in any way infringing the principle of non-discrimination — amended its Decision No 30/53 on practices prohibited by Article 60 and its Decision No 31/53 concerning publication of price-schedules and conditions of sale.

At the same time, the High Authority, in a special communication, laid down the correct conditions for applying the existing regulations on methods of price quotation for sales of steel in relation to the forms of transport employed (1).

75. In issuing the new regulations (2), the High Authority has borne in mind the fact that the price-schedules cannot cover every single type of transaction. There are, indeed, particular cases which, since their characteristics are abnormal, justify a special price. The latest decisions stipulate that any enterprise which quotes a price which is not in the schedule must be in a position to justify this exception.

In addition, the new decisions reflect the necessity of laying down the manner in which market fluctuations, which may equally well be either transient or more lasting in nature, should find expression in the published price-schedules. It was, therefore, necessary to lay down precise rules governing the manner and frequency with which the price-schedules should be corrected. The decisions taken when the common market for steel was established stated that there must be exact agreement between schedule-

(1) *Official Gazette of the Community, dated January 13, 1954, pages 224 to 229.*

(2) Decision N° 1/54 of January 7, 1954, amending Decision N° 30/53 of May 2, 1953, concerning practices prohibited by Article 60, number 1 of the Treaty. *Official Gazette of the Community, dated January 13, 1954.*  
Decision N° 2/54 of January 7, 1954, amending Decision N° 31/53 of May 2, 1953, concerning publication of price-schedules and conditions of sale current in steel enterprises. *Official Gazette of the Community, dated January 13, 1954.*

prices and the prices actually charged. During the period of price instability which the market experienced, it would thus have been necessary, in principle, constantly to reflect in the schedules every single change of price, however small or temporary it might be. Such a system was too inflexible, and did not in fact operate. The parties concerned, as well as the Consultative Committee and the Council of Ministers, agreed that a certain loosening of the rules governing the publication of price-schedules was desirable.

Decision No 2/54 henceforth makes it obligatory to publish changes in the price-schedules of an enterprise as soon as the prices actually charged by the enterprise deviate from the published prices by an average of + 2.5% of the basic published prices applicable to the transactions which have taken place. This average difference is calculated, for each category of products subject to the same basic schedule-prices, for transactions concluded during the last 60 days on the basis of their own price-schedules. The period of 5 days' notice of a change in the schedule is reduced to 1 day.

Transactions arising in the course of the business of an enterprise which are of such an unusual nature as to place them outside the categories defined in the schedules and, therefore, give rise to special conditions, are not included in calculating the average difference. There are, in fact, special cases which by reason of their abnormality may justify a special price. The new decisions stipulate that any enterprise which quotes a price outside the schedule in a particular transaction must be in a position to justify the exception.

76. Enterprises must, of course, also prove that any deviations practised within these limits have been applied, without discrimination, to all comparable transactions.

This rule, which is expressly stated in the new decisions, is essential for two reasons. Firstly, it confirms the fact that any relaxation of the obligation of enterprises to publish their price-schedules in no way absolves them from their liability to the basic rule of non-discrimination. Secondly, it ensures that the adoption of an average margin of difference will prevent the enterprises from introducing differences greater than 2.5%. Since any difference must be the same for all comparable transactions, any enterprise exceeding the limit of 2.5% for any given transaction renders itself liable to apply the same difference generally. This means it will exceed the average and thus be obliged to amend its price-schedule.

By virtue of the Treaty, every enterprise retains the right, without changing its own price-schedule, to align its quotations with those of a competing enterprise. Proof that it is doing so may be provided in any form, for instance by producing a firm offer.

77. A close study of the new decisions shows how important is the control which the High Authority must exercise in regard to observance of the new regulations and the provisions on non-discrimination, so that the sanctions provided for in the Treaty may be applied, should the occasion arise.

A decision also had to be taken stating what information is to be provided by the enterprises of the steel industry on the application of their price-schedules <sup>(1)</sup>.

In this connection, two cases are envisaged: either the enterprises sell on the basis of their own price-schedules, or, by alignment, they sell on the basis of the price-schedule of some competitor.

<sup>(1)</sup> Decision N° 3/54 of January 7, 1954. *Official Gazette of the Community*, dated January 13, 1954.

As regards sales on the basis of their own price-schedules, enterprises must in future supply the High Authority on the 1st and 15th of each month with certain information. For each category of products subject to the same basic price in their schedule, they must indicate:

- 1) the average deviation during the last fortnight between prices actually charged and schedule-prices, if necessary those of successive schedules;
- 2) the minimum deviation in the prices charged, together with an indication of the date when the order was received, the tonnage ordered and the customer's country of domicile within the Community; this last detail provides the High Authority with an easy means of control, so that it may take proceedings should there be any discrimination on grounds of nationality;
- 3) the maximum deviation in the price charged, giving the same indications as under 2) above.

As regards sales made on the basis of a competitor's price-schedule, enterprises must inform the High Authority, on the same dates and under the same conditions, of the maximum amount by which they have undercut the price-schedule published by the enterprise on which they have aligned themselves. Apart from the information required in the first case, they must also name the enterprise on whose price-schedule the alignment was made.

78. At the beginning of February, simultaneously with the entry into force of these new decisions, the High Authority advised all the iron and steel enterprises in the Community that certain spot-checks were about to be carried out.

The first of these took place on February 25 and 26. At the time of going to press with this report, a number of works in five countries of the Community have been examined by independent experts appointed by the High Authority. In the meantime the High Authority has received the first bi-monthly series of statistics transmitted in application of Decision 3/54, which enable the development of the market to be closely studied and provide guidance in the institution of spot-checks. The system of control has already shown itself to be useful and effective.

On the basis of the first spot-checks carried out, it is possible to state that the measures taken as a whole appear to have contributed towards normalizing the market. The price-schedules published pursuant to the new decisions of the High Authority, while showing an appreciable reduction compared with earlier schedules, still gave higher prices, in many instances, than those actually applied during the preceding period, even allowing for the possibility now open to enterprises to make deviations within the limits of the margin afforded by Decision No 2/54. A difference of the order of 2.5% is at present a widespread practice in the Community; but apart from this, the level of prices shown in the published schedules, if allowance is made for this differential, would appear to be generally adhered to.

The High Authority is continuing to follow the situation closely, with the help of the bi-monthly statistics on the deviations actually allowed in practice. It intends to carry on with spot-checks in individual works, so as to form its own judgment of cases which it considers doubtful or which are reported to be so. It will not hesitate to apply the sanctions laid down in the Treaty to any enterprises which do not comply with their obligations under the Treaty and the new decisions on the publication of price-schedules.

## SCRAP

79. When the common market was established, the High Authority drew up a balance-sheet showing availabilities and requirements of scrap. This revealed, for the Community as a whole, a deficit of 500,000 to 600,000 metric tons, which under normal conditions could be considered as a constant figure and mainly represented the requirements of Italy.

The total consumption of the Community in 1953 was about 18,500,000 metric tons, of which some 10 million tons represented scrap arising in production in the steel works themselves, 8 million tons were bought through the trade within the Community and 500,000 tons were imported from third countries. All this confirmed the aforementioned estimates. The deficit is a relatively small one, representing 2.7% of total consumption and less than 6% of purchases. But as world prices were much higher than the average prices in the Community, and likely to remain so — because world scrap collection at present largely corresponds to the steel consumption of 15 to 20 years ago and thus is catching up with world steel production only after a certain delay — this marginal requirement of the Community was destined to become a disturbing feature, forcing prices upwards. The danger was especially acute in view of the particular situation of Italy, three quarters of whose iron and steel industry is based on scrap, which might well cause an excessive price increase on the common market if she tried to procure from the latter the additional tonnage she needed.

Once the national markets formerly subject to very different systems were fused in a single common market, it was necessary to avoid the violent disturbances which this deficit might be expected to cause when Italy called for additional tonnages. Accordingly, the High Authority felt that it should encourage consumers in the

Community to cover the deficit by imports, at the common expense, from third countries. The cost of such imports would be divided proportionally among all the consumers, on a percentage basis in which the determining factors would be the tonnages purchased within the Community, those imported from third countries and a certain proportion of scrap representing the consumers' own resources.

This percentage was to be a kind of premium to be paid by all, so as to ensure that each would obtain supplies at reasonable and comparable prices, in a market where there were to be no more periodic upheavels of the proportions customary in the past.

The principle of this mutual insurance was accepted by almost all consumers in the Community on the basis of voluntary association.

As a precautionary measure, when the common market began to operate, a ceiling was fixed for internal scrap prices (1).

Finally, as the maximum prices could not be properly applied unless exports to third countries were controlled, the High Authority made appropriate recommendations to the governments of member States.

80. In practice, the development of the common market, founded on these principles, has confirmed the forecasts.

The fall in the price of scrap, which fulfills the constant desire of the High Authority to make raw materials available to the producers in the Community at the lowest prices, was admittedly hastened by the drop in iron and steel production in 1953, as well as by the improvement in iron ore supplies resulting from the establishment of the common market (1). As a result, equilibrium has been restored in the Community between availabilities and requi-

(1) See above, N° 45.

rements of scrap; stocks of some consumers, particularly in Italy, have been replenished after being at a disturbingly low ebb, and the Community has been able to dispense with any fresh imports from third countries in the immediate future. At the moment, availabilities of open-hearth scrap are sufficient to cover requirements; traders have even reported surpluses in some types of blast-furnace scrap, some of which may, however, be equally suitable for open-hearth furnaces.

81. What did it cost the Community to reach this result? It is still too early to draw up a final balance-sheet for the period from February 10, 1953 — the date on which the common market was set up — to December 31, 1953, the date on which the accounts of the Compensation Fund set up by the consumers of the Community were balanced. Moreover, the situation is not as simple as it may appear, because the Compensation Fund was not able to start from scratch on February 10, 1953; it had to take over the debts still outstanding at that date from import contracts concluded earlier at much higher prices than those which it was possible to obtain later, together with certain deliveries classed as imports, such as scrap derived from broken-up ships. On a quick estimate, however, it may be said that the approximately 500,000 metric tons of imported scrap for which the Compensation Fund assumed responsibility were listed in the accounts on the average at prices of 20 to 25 units of account higher than the internal prices of the Community. This difference, spread over the total purchases of consumers within the Community, represents a charge of less than two units of account per ton purchased, or about 5% of the maximum internal price, at the level fixed when the common market was established.

This approximate estimate in itself justifies the conclusion that the operation was profitable and its results satisfactory. In return for a low insurance premium, order has so far been guaranteed on the common market, which

has been able to supply scrap to the iron and steel industry at reasonable and gradually falling prices. However, experience gained during this first period has also revealed certain weaknesses in the organization established in March 1953. The system of maximum prices then inaugurated was linked with the system of zonal differences, which in practice proved too rigid. Furthermore, the compensation scheme at one time suffered from a lack of unanimity among consumers on the proper policy to be pursued in regard to imports from third countries, such unanimity being a prerequisite of voluntary accession by consumers to the Compensation Fund.

For this reason, the Compensation Fund in its initial form had to be modified. In any case, the initial form had been authorized only until December 31, 1953, a time-limit which was subsequently extended to March 31, 1954.

Finally, at the beginning of 1954, in a relatively easy market where prices were tending to fall, it no longer appeared indispensable to fix maximum prices, a measure which had been decided upon when the common market was opened and there was reason to fear a shortage of scrap. The scrap dealers were almost unanimous in asking for the abolition of the maximum, and among the consumers there were also some who supported this view.

82. After examining the situation as a whole, with due regard to these various factors, the High Authority came to the conclusion that in the present situation, the maximum-price system could be abolished. Thus at the same time it got rid of the manifest drawbacks of that system in the form in which it was conceived when the common market was set up.

On the other hand, the High Authority's examination made it clear that the fundamental data underlying the common market, which were responsible for the insti-

tution of the Compensation Fund, had not changed, and that imports from third countries, with all expenses shared, remained the essential factor for the stability of the common market. But the existing Compensation Fund, which was intended to answer this need, was, as we have seen, no longer in a position to do so. Therefore, at the same time as it abolished the maximum-price system, the High Authority itself made plans, by virtue of Article 53, *b*) to set up a financial organization which would provide compensation for scrap imported into the Community. It would be compulsory for all consumers in the iron and steel industries of the Community to contribute to this fund; in all questions concerning its operation, the final decision would rest with the High Authority, which would prevent any recurrence of the stoppages which had at one time marred the operation of the existing Compensation Fund.

83. The proposals made by the High Authority to the Council of Ministers received, on March 12, 1954, the unanimous agreement required by Article 53, *b*) of the Treaty. The opinion of the Council was, however, accompanied by a reservation to the effect that on April 1, 1954, a Compensation Fund should be set up similar in all respects, in its operation, to that proposed by the High Authority, but based on voluntary contributions, provided that before that date almost all the consumers in the Community expressed their agreement with this principle.

Virtual unanimity among the scrap consumers was not obtained. While the German, Luxembourg and Netherlands' consumers, together with the great majority of Belgian consumers, were in favour of the last-mentioned formula, the Franco-Saar consumers supported the straightforward application of Article 53, *b*) of the Treaty, as proposed by the High Authority. The Italian consumers had already stated that they would not agree to adhere to a fund financed by voluntary contributions unless all consumers in the other countries of the Community, without

exception, also supported it; they therefore seconded the views of the Franco-Saar consumers.

On March 24, 1954, the administrative council of the Joint Office of Scrap Consumers held a meeting in Brussels on this subject, at which it was possible to do no more than record the differences of opinion and state the impossibility of reaching virtually unanimous agreement on the date fixed by the Council of Ministers. The Joint Office of Scrap Consumers gave official notice of this to the High Authority, which immediately took the following decisions:

- Decision No. 21/54, abolishing the maximum-price system established by Decision No. 28/53 of March 13, 1953;
- Decision No. 22/54, establishing, pursuant to Article 53, *b)* of the Treaty, and for the period of one year, a compensation scheme for scrap imported from third countries and other scrap classed in the same category, the costs to be borne compulsorily by all enterprises purchasing scrap.

84. The operation of the new compensation scheme has been entrusted by the High Authority to the Compensation Fund for imported scrap, which will receive proposals from the Joint Office of Scrap Consumers in regard to assuming responsibility for tonnages to be imported. Failing unanimity in one or other of these two organizations, the High Authority will itself take the decisions dictated by circumstances, but, as a general rule and except in serious cases, decisions taken unanimously by these two organisations will be recognized by the High Authority as valid. This formula makes only slight modifications to the organization which was in existence up to March 31, 1954.

85. It is the opinion of the High Authority that, for the time being, exports of scrap from the Community to

third countries should continue to be controlled. The Community, even in the present balanced situation, has no exportable surpluses of the quality needed for open-hearth furnaces. As regards the quality suitable for blast furnaces, some types of which may also be used in open-hearth steel works, the expediency of authorizing the export of certain tonnages may nevertheless be considered in individual cases, within limits which, without jeopardizing the position of the community, will enable the trade to market in third countries such surpluses as the common market may have been unable to absorb.

In application of this principle, after freeing in August 1953, a total quantity of 210,000 metric tons of blast-furnace scrap for export to third countries, the German, Belgian, French and Netherlands' governments, in agreement with the High Authority, have just authorized the export, not later than by June 17, next, of fresh consignments of blast-furnace scrap, amounting in all to 100,000 metric tons for the four countries.

86. The various steps taken by the High Authority thus represent a coherent whole designed to ensure that, for a further period of one year, the common market for scrap will have the maximum freedom compatible, under present conditions, with the desire to keep it in that state of stability at which it has now arrived after less than one year of operation.

### Section 3 — Development of competition

87. The Treaty imposes upon the Community the obligation of "progressively establishing conditions which will in themselves ensure the most rational distribution of production at the highest possible level of productivity". In order to achieve this aim, the High Authority must constantly strive to remove obstacles which still stand in the

way of increased competition. In some cases, what is needed is the *abolition of administrative regulations or bureaucratic formalities affecting trade between member-countries* — regulations and formalities which no longer have any justification since the establishment of the common market. In other cases, it is a question of *proceeding towards the objectives by the different stages laid down in the Treaty*, for example in the *field of transport*. In other cases again, it is necessary to gradually carry out structural alterations, in order to put an end to the *autocratic rule of cartels*, and to control the use which concentrations are making of their power.

#### ADMINISTRATIVE OBSTACLES

88. At the end of September 1953, after an exchange of views with the Consultative Committee on the development of the Common Market, the High Authority stated that it would devote its attention to removing all obstacles to trade. In particular, it proposed to make a list of the additional costs and administrative formalities attending purchases in another country of the Community, as compared with purchases on the national market.

Since that time, producers and consumers have repeatedly lodged complaints with the High Authority, quoting concrete examples and figures, about costs and formalities which still form an impediment to the development of competition.

On the strength of the facts brought to its knowledge and of information which it has itself requested, the High Authority has obtained an overall picture of the formalities to be fulfilled when licences are sought or when coal and steel products cross the frontiers, and of the dues

which have to be paid. It is clear from this general study that the governments of member States, since the time when, at the opening of the common market, they were obliged to abolish customs duties and quantitative restrictions, have made no changes in previously existing formalities. Progress still remains to be made before products can circulate among the six countries of the Community as though the latter formed one and the same territory.

To improve the operation of the common market and come closer to the objectives of the Community, the High Authority has decided to submit to the Council of Ministers all the documentation it has so far assembled. It is hoped that in this way governments may be induced to make at any rate a substantial reduction in these impediments, insofar as it is not immediately possible to abolish them completely.

#### TRANSPORT

89. The development of competition in the common market, with the object of enabling the enterprises of the Community to make the best possible use of their relative economic advantages, implies far-reaching changes in transport rates which were formerly set up on a national basis viz.:

- abolition of discrimination according to origin or destination of products;
- abolition of differences in the depression of transport rates, according to whether the route followed is entirely within certain frontiers or whether it crosses the frontier;

- abolition of differences in the methods of fixing transport tariffs, according to the region in which the transport takes place.

These changes cannot be other than gradual, as is provided for in the Convention containing the Transitional Provisions (Section 10).

Power of decision in transport matters, "in particular the fixing and modification of rates and conditions of transport», at the present stage of European unification, still rests with the governments of member States, and this is provided for in the Treaty establishing the Community (Article 70).

It will be recalled that a committee of experts appointed by the governments was instructed by the High Authority, in conformity with Section 10 of the Convention, to study measures rendered necessary in the field of transport by the establishment of the common market, and to make proposals to the governments in regard to steps to be taken. This committee began its work on October 23, 1952, and is due to complete it by October 24, 1954.

90. Since the common market was established, the work of the committee has made it possible to complete the abolition of discriminations proper, i. e., transport rates and conditions based on the countries of origin or destination of products.

During its meeting on December 19, 1953, the committee examined the last two cases of discrimination brought to light, and drew up its recommendations Nos. 31 and 32 designed to eliminate them. Shortly afterwards, the High Authority received the agreement in principle of the French Government, in whose sovereignty lay the tariffs which had been recognized as discriminatory.

It should be emphasized that the abolition of discriminations which has thus taken place since the beginning of 1953 is absolutely complete, so far as railway transport is concerned: *all cases of discrimination acknowledged by the committee of experts formed the subject of recommendations by the latter, on the basis of which the High Authority, without exception, obtained agreement in principle from the governments concerned, followed by adequate measures to abolish the discriminations.*

Of the 32 discriminatory practices abolished in this way, 15 related to French tariffs, 10 to German tariffs and 4, 2 and 1 respectively to Belgian, Luxembourg and Italian tariffs.

91. Now that discriminations proper have been abolished and the first stage provided for in the Convention is closed, it is possible to assess the economic importance of the measures taken. In the most important cases, the new tariffs have already been applied for a sufficiently long period to enable their effects to be perceptible. Among the others, there are a certain number of tariff regulations of relatively minor importance, examination of which has nevertheless not been neglected, since the practical scope of any tariff depends on the state of the market and may extend further than can be easily predicted at the outset.

Subject to possible later developments of traffic under the influence of the economic situation, the following approximate table may be drawn up, showing the economic effects of abolishing the most important discriminatory practices in the domain of railway transport:

TABLE N° 7

Principal tariff changes  
resulting from abolition of discriminatory practices (1)

N° of recommendation by the Committee of experts	Country	Traffic flows	Overall change in transport charges (in millions of B.frs.)		Tonnes (1953)
			increase	decrease	
<i>Coal and coke</i>					
1.	Germany	Saar-Lorraine coal entering Germany . . . . .		— 120	3,700,000
2.	Germany	Saar - Lorraine coal to Austria . . . . .		— 3.3	120,000
3.	Belgium	Coke (various routes) . . . . .	+ 5.4	— 6.7	2,200,000
18.	Belgium	Coal (various routes) . . . . .	+ 62	— 1	9,600,000
<i>Iron ore</i>					
4.	Germany	Luxembourg and French ore entering Germany . . . . .		— 8.4	300,000
7.	Luxembourg	Luxembourg ore to Belgium . . . . .	+ 5		1,850,000
8.	France	Ore { internal traffic . . . . . exported to Belgium . . . . .	+ 45	— 45	16,500,000 5,000,000
13.	France	Luxembourg ore to the Saar . . . . .		— 15	600,000
<i>Iron and steel products</i>					
6.	Belgium	Export of iron and steel products { Belgian . . . . . Luxembourg . . . . . French . . . . .	+ 32.5 + 41.2	— 11.3	1,300,000 1,100,000 550,000

(1) The above figures are partly based on provisional estimates.

If we include measures of a secondary nature not mentioned in the above table, the total effect of the first stage of the High Authority's action has been to modify the charges on transports amounting in all to 45 million metric tons per annum. The total amount of the reductions granted is 217 million B. frs. per annum, while the increases amount to 193 million B. frs. and the balance in favour of the common market is 24 million B. frs.

Shifts of traffic found to have taken place since the discriminatory practices were abolished can clearly not all be attributed to the tariff measures adopted. Account must also be taken of the effect on transport developments of the general economic situation, as well as of the establishment of the common market itself.

In practice, it is difficult to make the necessary corrections with sufficient exactitude to enable the particular effects of these tariff measures to be precisely assessed but it is none the less indisputable that the abolition of discriminatory practices has influenced the development of the common market. There is particular evidence of a clear increase in exports of iron ore from Lorraine, and it is also clear that coal trade between the countries of the Community has been considerably stimulated by the abolition of many discriminatory practices which affected it. Finally, there has been an undoubted influence also on the direction taken by export flows of iron and steel products.

92. The problem of the disparity of the systems in force as between the controlled freights of the inland water transport of member States and the uncontrolled freights of international traffic between the same member States comes in principle within the province of paragraph 2 of Article 70, on the same grounds as the afore-mentioned discriminatory practices. But whereas the problem of the discriminations affecting rail tariffs, canal tolls or harbour dues was rapidly solved by national action, the general

disparity between systems of internal and international freights can be remedied only by joint action on the part of all countries concerned, by multilateral agreement.

Further, the traditional system of navigation on the Rhine poses special problems arising from the co-existence, on the same stretch of water, of transport enterprises of different nationalities. Here, in the very nature of things, solution of the problems involved is a more delicate matter.

The committee of experts has actively pursued its studies in this special field, and has helped to lay down the guiding lines leading to a solution; the governments, moreover, have stated their agreement with the principle of the abolition of freight disparities resulting from the above-mentioned disparity.

At the present time, in accordance with the procedure laid down in the Convention, the High Authority has begun the necessary negotiations, while distinguishing the problem of the canals from that of the Rhine. It has expressed its willingness to collaborate with the governments in finding solutions which will respect both the demands of the Treaty and the particular economic needs of transport by navigable water-ways.

93. Even before it had completed the first stage of its work — i. e., the abolition of discriminatory proper — the committee of experts embarked upon studies dealing with the second and third stages, that is to say the establishment of international through-rates and the harmonization of tariff systems.

Although the creation of *international through-rates* in practice concerns only transport by rail, it nevertheless raises considerable problems, alike because of its economic effects and because its technical execution is such a complicated matter.

The High Authority therefore considered in December 1953 that it would be expedient on the one hand directly to obtain the views of the railway managements in the Community, and on the other hand to suggest the creation, within the committee of experts, of a special body to study the technical aspect of this question.

Although, in the case of the discriminatory practices proper, negotiations with the governments immediately led to agreement in principle on the lines recommended by the committee, a more flexible procedure was envisaged for the creation of international through-rates.

The discussions by the committee of experts dealt primarily with the scope, form and level of international through-rates. As a result of the series of conclusions which they reached on these essential points, the High Authority was enabled to open consultations with the governments through the Council of Ministers, with a view to obtaining broad agreement on the conception underlying such rates. This was a necessary condition for the continuance of the committee's work.

As soon as the basic principles of these international through-rates, as they emerge from the work done by the committee of experts, have been examined by the Council of Ministers — whose meeting is fixed for April 9, 1954 — and broad agreement has been reached between the governments and the High Authority, a detailed study of the practical means of implementing international through-rates will be undertaken. A beginning has already been made with the assembly of the requisite documentation for this study, and in all cases having economic significance the effect on the common market and its dependant enterprises will be assessed.

The work delegated in this field to the committee of experts must, in accordance with the Convention, be

completed by October 24, 1954, and the High Authority will have the right to bring the rates themselves into force as from February 10, 1955.

In view of the importance of this work, these time-limits impose on the committee, its subordinate bodies and the departments of the High Authority, obligations which must be strictly observed; nevertheless, consideration must be given to the following possibilities:

- firstly, of undertaking as early as possible an approximate estimate of the new tariff levels arising from international through-rates, so that the enterprises concerned may prepare themselves for the new conditions of the common market;
- secondly, in the most important cases, of taking individual steps which will to some extent anticipate the final international through-rates.

94. In the sphere of *harmonization*, the committee of experts has made rather less progress, since harmonization raises a number of technical problems of detail, the complete study of which in advance would have delayed the establishment of international through-rates.

However, a number of general conclusions can already be deduced from the work of the committee.

Harmonization simply means the sum total of all measures designed to apply comparable tariffs to consumers in comparable situations.

Viewed in this light, it consists of introducing some degree of uniformity into the relationships between the various rates applicable to the same mode of transport in the different countries. On the other hand, it is not concerned with the relationship between the tariffs of

different modes of transport, since this belongs to the co-ordination measures which are considered by the Treaty to be the exclusive responsibility of governments.

From this very definition it is clear that three main fields of harmonization can be distinguished:

- Firstly, there is the harmonization of freight rates for different distances, i. e., the principle of introducing uniformity into the rate of depression. Obviously, if the depression of the tariffs varies widely, it plays a fundamental part in intensifying or diminishing competition within the common market, by reducing the degree of protection conditioned by distance created by transport, and where the depression varies from one country to another, it may give rise to serious distortions. Further it will easily be realized that when the depression is made uniform, it becomes considerably simpler to introduce international through-rates representing no discrimination relative to national rates.
- Secondly, there is the harmonization of rates applicable to different commodities. This is a difficult matter, because, for historical and economic reasons, the different countries of the Community have a tariff "spread" related to the value of the commodities, which varies widely from one country to another. At the same time, the question is very important since the distortions caused by the disparity between the rates for coal, iron ore and scrap may radically disturb the calculated prime-costs of the burden of the various iron and steel industries in the Community and thereby distort the rational use and distribution of the raw materials needed in that industry.

- Lastly, there is the harmonization of rates applicable to transports which differ only as regards the procedure employed, such as the quantity dispatched (partially-filled trucks, complete truck-loads), sets of trucks, complete train-loads), or the nature of the vehicle (truck belonging to the railway, privately-owned truck, or special waggon).

Finally, the studies made showed the absolute necessity of establishing a uniform nomenclature for all transport rates in force in the Community. This is a purely material problem, the importance of which is denied by no one; experience proves, however, that it is always a difficult matter to solve.

95. The creation of international through-rates and harmonization are complicated operations, the practical effects of which are clearly difficult to estimate in advance.

A characteristic example is provided by the special case of the traffic in solid fuel from the Ruhr coal-field to the Lorraine iron and steel industry. This was already mentioned in the Report on the Situation of the Community dated January 10, 1953, and the French Government recently drew the attention of the High Authority to it. Here, several forms of distortion are encountered, on which at one and the same time the three stages of the tariff measures introduced by the High Authority are brought to bear.

In the first place, the rates charged by the French National Railways for imported coking fines are higher than those applied to coking fines transported internally (non-application of Tariff 103 for complete train-loads and non-application of Tariff 7, Chapter III, Section II, for fuels intended for the iron and steel industry). The solution designed to eliminate this discrimination has, as a

matter of fact, already been proposed; the French Government has agreed to it in principle, and the fact that it has not come into force is solely due to difficulties of a technical nature.

Then, there is an interruption of rates at the Franco-German frontier, which will disappear as soon as the international through-rates become effective.

Finally, there are great differences between the rates for coking fines and those for iron ore in France and Germany, as the following table shows:

TABLE N° 3

Freight rates for complete train-loads of 1,000 metric tons running on each working day between the Ruhr and Lorraine

Railway	Distance	Route	Coal	Iron Ore	Ratio iron ore: coal
Bundesbahn (German Federal Railways)	302 km	Gelsenkirchen-Nennig <sup>(1)</sup>	19.30 DM	8.72 DM	0.45
S.N.C.F. (French National Railways)	61 km	Nennig-Homécourt <sup>(1)</sup>	338.- Fr.Frs. <sup>(2)</sup>	347.-Fr.Frs.	1.02

<sup>(1)</sup> Or vice-versa.

<sup>(2)</sup> Future freight rate after the above-mentioned discriminatory rates are abolished.

These differences are not justified by any considerations of transport economy, since the corresponding costs are almost identical; rather do they result from the fact that each railway has worked out a system of rates adapted to the situation of its own national industries, and consequently the French National Railways and the German Federal Railways have arrived at fundamentally different solutions.

In the present state of the work of the committee of experts it is not yet possible to form a judgment of the

exact effect of the solutions which must be found to these various problems, the importance and complexity of which amply justify the time allowed for their study by the Convention.

#### AGREEMENTS AND CONCENTRATIONS

96. The Report on the Situation of the Community at the beginning of 1954 already mentioned the first steps taken by the High Authority in the field of agreements.

As early as May 1953, the High Authority decided that the organizations responsible for the allocation of scrap or for price compensation on the different national markets should be wound up, and that national regulations interfering with free trade in this commodity should disappear at the same time.

In July 1953, the High Authority published its decision giving effect to the prohibitions for which Article 65 of the Treaty provides. It thus obliged existing agreements to come into the open and if necessary to apply for authorization on the basis of Article 65, number 2 (agreements to specialize or to engage in joint buying and selling), unless they wished to be quite simply forbidden. At the present time, the High Authority is completing the examination of about 60 applications from organizations which have invoked this provision.

In addition, the High Authority has undertaken a series of exhaustive enquiries or studies concerning the activities of buying or selling organizations for coal, steel and iron ore in the various countries of the Community, and is also examining the question of export agreements. A great deal of this work is already concluded, and the High Authority is now preparing the series of measures which will result in the liquidation or transformation of these organizations. Some of the latter have already

anticipated the action of the High Authority by themselves transforming their activities, so as to bring them into line with the provisions of the Treaty.

Some of these organizations have already been in existence for a long time and have a multiplicity of functions. If they are simply liquidated overnight, supplies to the common market or manpower employment conditions may be jeopardized. It is for this reason that Section 12 of the Convention provides that the High Authority must fix reasonable time-limits for the cessation of activities incompatible with the Treaty. The High Authority must closely examine the appropriate measures to be taken, a task on which it is now engaged.

As regards concentrations, the High Authority has adopted a realistic policy, which will make possible regroupings allowing for a greater rationalization of production in all cases where such new concentrations will not run the risk of producing effects contrary to the Treaty.

The three draft orders envisaged in application of Article 66 of the Treaty were submitted already in December to the Council of Ministers.

The first of these orders defines the elements which make up the control of an enterprise. The second lays down the conditions under which exemption from prior application for authorization may be granted, in order to save enterprises from requesting authorization for minor concentrations or for operations which obviously cannot distort competition in the common market. The third order defines what persons or enterprises are obliged, even though they do not come under the jurisdiction of the High Authority, to furnish information to the High Authority in order that Article 66 of the Treaty may be applied.

After numerous lengthy exchanges of views between the departments of the High Authority and

governmental experts, the Council of Ministers placed on the agenda of its meeting to be held on April 9 and 10, 1954, a consultation on these orders. Consultation alone is required in the case of the first and third draft, while the second will need the unanimous agreement of the Council.

#### **Section 4. — Development of the common market**

97. In order to contribute in the immediate future towards maintaining the level of activity pursued by the Community's industries and to safeguard the conditions under which they may continuously develop, the High Authority has an appropriate responsibility and certain courses of action are open to it.

This responsibility is clear from the Treaty as a whole, but particularly from Articles 2 and 3, which state that the mission of the Community is to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living.

Its courses of action may be analyzed as follows:

- definition of general objectives connected with modernization, long-term planning of production and expansion of productive capacity;
- provisions of facilities for the carrying-out of investment programmes and the encouragement of technical and economic research concerning the production and development of coal and steel consumption;
- co-operation with the governments in order to stabilize and influence consumption in general.

Actions concerning investments and the financing thereof will be discussed in the following chapter. In what

follows will be found a description of work so far accomplished on the following points: *definition of general objectives and long-term forecasts of coal and steel requirements; technical research and increase in consumption; co-operation with governments with a view to a general policy of expansion.*

#### GENERAL OBJECTIVES AND LONG-TERM FORECASTS

98. The general objectives are intended to serve as a guide to enterprises in their investment schemes. By the terms of the Treaty itself the fixing of production targets proper is excluded. The reason is that such targets cannot usefully be set except as part of a plan covering the whole or the greater part of an economy, whereas the Community has jurisdiction over two industries only. In addition, the actual level of coal and steel production depends upon that of general consumption which still belongs essentially to those economic fields over which governments continue to exercise their sovereignty.

Within the Community's competence definite significance attaches to the determination of objectives relative to the expansion of production capacity. For it is essential that effective capacity in the field of coal and steel is such that the production of these commodities cannot become a bottle-neck likely to impede the development of the economy as a whole.

99. Long-term forecasts of consumption and exports are the basis for determining the production capacity to be achieved. Work began at the end of 1952 on this subject has been continued; some progress was made in the methods employed, resulting in certain adjustments to the initial estimates. These changes affect the reference-period (average of the years 1951 to 1953, in order to neutralize the incidence of fluctuations of stocks on the estimate of the real consumption of coal and steel) and

the coefficients of elasticity in the demand for steel and coal (with due regard to studies already made on the competition of substitute products).

The general conclusion, already outlined in the Report on the situation of the Community at the beginning of 1954, is that the *capacity to be achieved in the steel industry must be sufficient to ensure, if need be, a production of 50 million metric tons by about 1957, and that 15 million additional tons of coking coal, or a total of 20 million tons of coal, should be available for the Community's needs by the same date.*

100. But an estimate of consumption is not in itself sufficient to fix the production capacity to be attained. The steel industry is, and must remain, largely an exporting industry. The Community is not self-sufficient and cannot decide *a priori* that it will cover all its needs from its own production. Any attempt to cover peak requirements of coal from the Community's own production may entail investments in the coal-mining industry which are a doubtful economic proposition, and may lead to the creation of a capacity which, being employed only part of the time, would give rise to serious employment problems.

It is thus not so much a question of fixing an absolute figure representing desirable productive capacity, as of determining under what conditions and as a result of what measures that capacity can be economically achieved, in order to make the optimum contribution to overall economic expansion and to increased productivity in the Community. The general objectives, which must be concerned alike with modernization, long-term planning of production and the expansion of productive capacity, will be assured of all the greater unity inasmuch as they are less directed towards achieving a predetermined volume of production than towards securing a *lowering of costs.*

Such are the lines along which the High Authority is directing its current work as regards coal and steel. It intends, before the ordinary session of the Common Assembly, to hold an exchange of views on all these matters with the Committee on Investments, Financial Questions and Production Development.

TECHNICAL RESEARCH AND INCREASE  
IN CONSUMPTION OF COAL AND STEEL

Coal

101. In order to improve equilibrium in the coal market, i. e., to cover from the Community's own resources the requirements of types and grades of which the quantities are, or may become, insufficient, to ensure better supplies to the market in general, and to increase the possibility of utilizing coal not easily marketable, an initial series of studies has already been undertaken.

102. One of the aims is to encourage *technical improvements in hard coal carbonization*, by making increased use of qualities hitherto alledged to be difficult to coke and so achieving a saving of corresponding quantities of bituminous coal. Meetings of experts from the coal-mining and iron and steel industries have already taken place, for instance in Lorraine and the Ruhr. After obtaining a detailed insight into current research and experiments, the experts expressed the desire that carefully controlled tests of different cokes — hard coke from the Netherlands or the Ruhr and soft coke from the Saar or Lorraine — should be carried out in two blast furnaces of identical pattern, working with the same ore and under the same invariable conditions of operation. The tests would then be reserved.

A Belgian works in the Charleroi district has expressed its readiness to offer two blast furnaces for

these experiments. The estimated total expenditure amounts to 1 million dollars (units of account), to which the High Authority has decided to make a financial contribution, subject to the unanimous agreement of the Council of Ministers.

103. Other researches, also designed to secure the improved utilization of coal, are being conducted into the recently developed processes for the complete gasification of low-grade coal and into the use in large-scale surface installations of grades of coal which cannot be easily disposed of except locally.

104. Finally a committee of experts is watching the application of the most rational technical processes for the extraction of coal, which permits an increased yield, less difficult working conditions and fewer accident risks. This committee is co-ordinating research carried out in the various coal-fields of the Community and is publishing the results obtained, so as to popularize the use of new techniques adapted to the peculiar conditions of individual deposits.

### Steel

105. In the iron, and steel industries, as in the coal industry, the High Authority has undertaken to survey the progress made by technical research, to improve co-ordination between research centres, and to make it possible to pass more rapidly from the experimental stage to that of industrial application.

Three fields of research were first of all proposed: *the influence of the properties of coke on the operation of blast furnaces* (closely linked with the researches in the coal-mining industry, mentioned above), *the improvement of refractory materials*, and *the influence of rolling tempe-*

ratures on the quality of the products. In addition to these questions, the experts were also called upon to examine results obtained up to date in the improvement of basic Bessemer steel by the use of oxygen, and they have proposed to arrange for experiments on the operation of blast furnaces under pressure.

This last process, which is expected to lead both to a reduced specific consumption of coke and to increased possibilities of using ore, fines, consists in raising the pressure of the blast and of the waste gases; it is already employed in American and British iron and steel works, but opinions are still divided as to its advantages, the more so as the results may be widely different depending upon the nature of the burden. A steel works in the Ruhr is prepared to undertake trials in a blast furnace which has just been blown in, first utilizing a mixture of German and Swedish ore and then minette ore from Lorraine.

The cost of additional plant, of necessary alterations and other expenses connected with this operation are estimated at about 1 million dollars (units of account). The High Authority has, in principle, decided to grant financial assistance, subject once again to the unanimous agreement of the Council of Ministers.

106. In order that consumers can easily compare offers from different producers, it is essential that there should be a common nomenclature for iron and steel products in the six countries. It would improve the operation of the common market. A start has already been made on drawing up such a nomenclature, in collaboration with representatives of the standardization offices, producers and consumers.

107. Finally, contact has been established with the national steel utilization offices, with the object of seeking ways and means of arriving at a better co-ordination of

efforts. Researches are concerned with such matters as the study of fields in which steel has lost its markets to the benefit of other materials (cement, wood, aluminium, plastics, etc.) and the possibilities of new openings (steel roof, supports for mines, public works, building, etc.). At the same time, the experts are trying to find means of providing producers and consumers with technical and economic information which is all too frequently not available to them.

CO-OPERATION WITH GOVERNMENTS  
WITH A VIEW TO A GENERAL POLICY OF EXPANSION

108. The object of a general policy of expansion is to increase real revenue. The mission of the European Coal and Steel Community is to contribute, in harmony with the general economy of the member States, to economic expansion, the development of employment and the improvement of the standard of living.

It is obvious that the general policy of expansion and the policy followed in the coal and steel industry are interdependent. The consumption of coal and steel very largely depends upon the general economic situation; the coal-mining and iron and steel industries have a decided influence on wages and the development of employment, as well as on the volume of investments; and expenditure on coal and steel represents, directly or indirectly, an important part in the consumer's budget.

The statement by the Council of Ministers on October 13, 1953, explicitly emphasized this interdependence:

“ 1. Desirous of ensuring the continuous development of the Community and the expansion of the national economies of its member States, as well as of improving the standard of living, the six governments agree forthwith to consider, together

with the High Authority, their general policy of expansion and investment, so as to stabilize or influence general consumption, in particular that of the public services, and to harmonize this general development with the programmes of the High Authority.

2. They agree to hold a further Council meeting as soon as possible, so that the High Authority may make known to the governments the general policy it intends to pursue in the coal-mining and steel industries and state what action it considers essential, on a limited number of points, in order to carry out the investment programmes of the six countries and of the High Authority, and to enable the Community to make the maximum contribution to developing the economies of the member States.

3. They furthermore agree to study the trend of the economic situation regularly, in common with the High Authority."

109. Article 46 stipulates that the High Authority, taking account of the purposes assigned to the Community, shall provide guidance for the action of all interested parties by carrying on a permanent study of the development of the market and price trends, by periodically drawing up programmes giving forecasts, for guidance, of production, consumption, exports and imports. Article 57 furthermore provides that the High Authority shall, in the field of production, give preference to indirect means of means of action, such as co-operation with governments to stabilize or influence general consumption.

It is thus the task of the High Authority to clarify, facilitate and stimulate the action of governments, by assembling information, inviting exchanges of views and, in the case of coal and steel, establishing short-term

programmes containing forecasts and defining general objectives.

Although the guidance so given by the High Authority is binding neither on governments nor on enterprises, it may nevertheless have a major influence on European economic development and inject a new dynamic spirit into the life of our countries.

110. In this sphere of active co-operation with the governments, a distinction should be drawn between the maintenance or development of short-term economic activity and general long-term economic expansion.

*Short-term measures*

111. A working party, composed of experts appointed on the one hand by governments and on the other by the High Authority, has drawn up the framework for a periodic report on the economic situation.

The initial proposals were as follows:

- a) Observation of the economic situation must be based on a statement showing the actual prevailing conditions;
- b) variations in the trend may be observed in changes in the gross national product, both as regards its structure and its volume;
- c) variations in the national product may equally well be caused by alterations in demand, i. e., by the use which is made of the national product, as by changes in supply, i. e., in the elements which make up the national product; by means of a statement showing the factors governing supply and demand, in the form of a balance-sheet, a certain overall view can be obtained of the trend of economic activity.

The framework of the Report on the economic situation would thus appear as follows:

- development of the national product,
- use made of the national product,
- formation of the gross national product,
- comparison between supply and demand.

112. An analysis of the present economic situation, brief statements on which will be found regularly in the monthly reports of the High Authority leads to the following conclusions.

Although the economic development in the more important countries of the world, especially in the United States of America, does not as yet point to a business revival, prices on the international raw material markets have, since February last, tended to become perceptibly firmer. The prices of a considerable number of raw materials and commodities have risen noticeably. While this applies essentially to food-stuffs and certain agricultural products, the prices of some industrial raw materials have also followed this general upward tendency. It is not possible, at this stage, to make any definite appraisal as to the stability and duration of this rise in prices, since it is largely accounted for by reductions in output on the part of the producers. The easier credit situation in most countries has enabled the producers successfully to oppose a further decline of prices. To this must be added that stocks held by the trade and by consumers are obviously not large enough to force the producers' hands. Moreover, a factor contributing to this rise in prices has been the fact that stock purchases of raw materials required for military purposes have been announced and have probably already been carried through to some extent.

Since the period of post-war reconstruction has generally come to an end, even in Germany, consumers' purchases are restricted to current requirements. Public expenditure is no longer increasing, and almost all countries are endeavouring to balance their budgets.

Investment activity is stagnating. In some key-industries, the volume of investments has even diminished in absolute value. Admittedly, there are still considerable openings for investment in a number of economic sectors, in particular the building industry, and in a general way for the modernization and rationalization of production methods, but the development of building is seriously hampered because of the relatively high cost of basic raw materials and, generally speaking, investments are hindered by the high cost of financing.

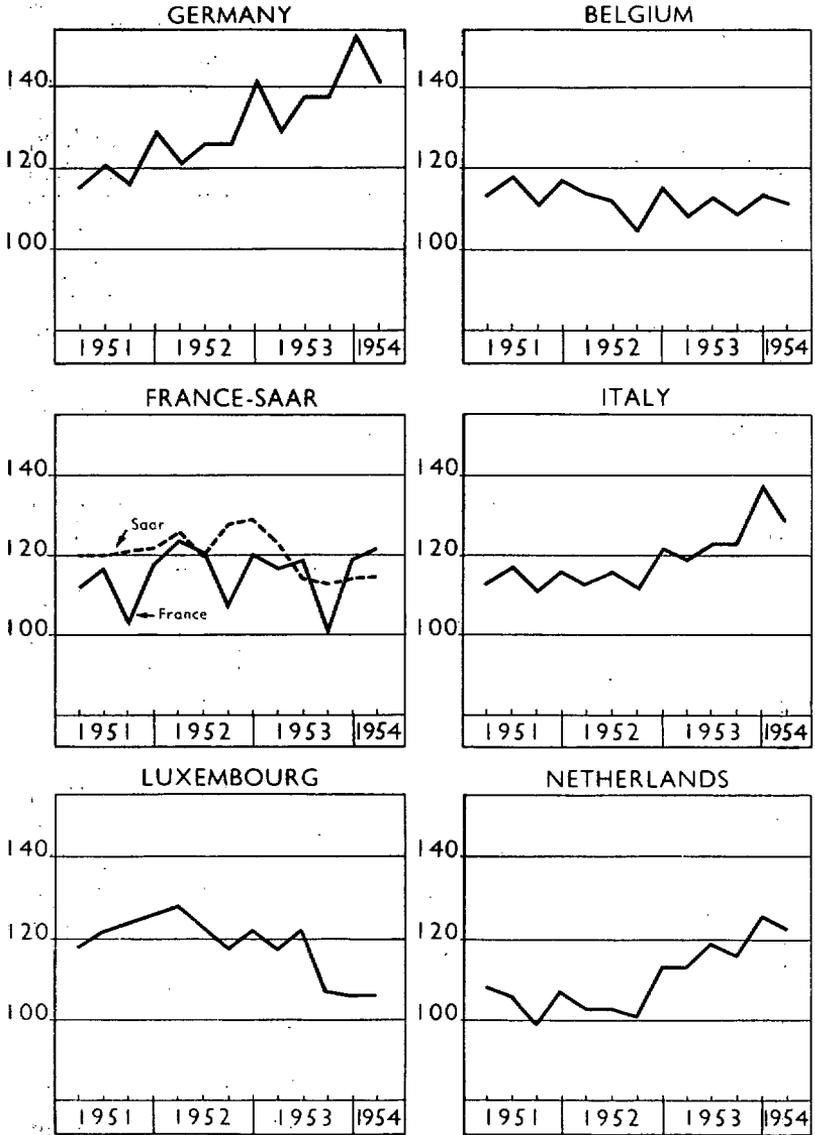
The demand from third countries for products of the Community has become generally weaker, except as regards exports to the United States. All European countries are hindered in selling abroad because the countries producing raw materials are obliged — in case of a falling-off in purchasing power, due to the reduction in the price of their products — to cut down their imports.

113. Industrial production in 1953 was little more than 4% above the 1952 level, but the increase was due solely to favourable developments in Germany, Italy and the Netherlands, whereas in Belgium, France and Luxembourg stagnation or even recession was observed. However, it seems doubtful whether the countries in the first group will this year keep up this progress in production, which has so far been rapid; in Germany and Italy, the unemployment figures are today higher than last year, and in various countries the reduction in working hours in certain basic industries, in particular the coal mines, is causing a lowering of general revenue.

Industrial production indices for the countries of the Community

(excl. building)

1950 = 100



The volume of credit is growing only very slightly; credits granted to private enterprises are almost entirely off-set by new savings. The stock market was fairly active; the issues were mainly public or semi-public loans.

The volume of imports is diminishing partly as a result of good harvests in the countries of the Community and of the relatively sharp fall in import prices, but especially because of the reduced demand in Community countries. Reserves of gold and foreign exchange held by the note-issuing banks are increasing simultaneously with the liquid assets of the banks.

*In short, economic activity in the countries of the Community is still being maintained at a high level, and there are no signs heralding an imminent worsening of the economic situation, but there is still a lack of sufficiently strong and sufficiently widespread impulses to guarantee a persistent improvement in production, employment and consumption.*

#### *Long-term measures*

114. Simultaneously with research into the basic principles of co-operation between the High Authority and the governments to stimulate short-term economic activity; a study has been undertaken of the conditions necessary to a general policy of expansion and investment.

The government and High Authority experts began to draw up a list of factors exercising an influence on the overall consumption of coal and steel. The object of the questionnaires prepared is, in particular, to crystallize estimates and probable prospects of an increase in the national product and in industrial production, and to determine the essential objectives and means of introducing a general policy of expansion, the conditions required

for executing such a policy, and the factors likely to have an influence on investment programmes. The first replies received from the various national delegations arrived at the beginning of March, but it has not yet been possible to make full use of all their contents. In particular, the replies to the questions dealing with the expansion and investment policy are not sufficiently clear-cut in the case of several countries to enable an opinion to be formed on the long-term trend of coal and steel consumption.

It is nevertheless possible in the table which follows to summarize some of the figures showing developments to date and to draw a few conclusions for the future:

TABLE N° 9  
Development of the gross national product  
in the countries of the Community (1)

(estimate based on 1951 prices)

	Average annual rate of increase from 1949-1953	Variations from 1952-1953	Level reached in 1953 (1951 = 100)
Belgium . . . . .	4.2 %	+ 2.0 %	101
France . . . . .	3.3 %	— 2.9 %	98
Germany . . . . .	11.2 %	+ 5.4 %	110
Italy . . . . .	5.5 %	+ 6.8 %	106
Luxembourg . . . . .	4.4 %	— 15.6 %	90
Netherlands . . . . .	4.3 %	+ 44.4 %	105
<i>Community</i> . . . . .	<b>6.0 %</b>	<b>+ 2.0 %</b>	<b>104</b>

(1) The national product of the various countries has been calculated in dollars (Units of Account of the European Payments Union) at the official rate of exchange. The estimates for 1953 are provisional; it is probable that the variations for Belgium and Luxembourg are too high, for the former in a positive and for the latter in a negative sens.

From 1949 to 1953, the average gross product in the countries of the Community rose annually by about 6%. From 1952 to 1953, it no longer increased by more than a bare 2%, and in 1953, its volume must have exceeded that of 1951 by about 4%. With the exception of Italy,

the increase in the national product has slowed down decidedly in all Community countries.

115. The part played by industry in the formation of the national product averages from 40 to about 42%: 34% in Italy, 40—41% in France and the Netherlands, and 52% in Germany. The average rate of increase of industrial production rose to 9% per annum for the last four years and still reached 4% from 1952 to 1953.

116. Neither the rate of increase of the national product nor that of industrial production for the period 1949-1953 may be considered as determining future developments, for

- in 1949, post-war reconstruction was not yet completed in any country of the Community;
- the observed rates of increase would appear to have been exceptionally inflated by the boom in 1951;
- the reference-period is too short to enable conclusions to be drawn about the future.

Nevertheless, these global data enable interesting comparisons to be drawn with recent trends in the consumption and export of coal and steel:

a) *Coal.* — From 1942—1943, the apparent consumption of hard coal (production + imports — exports) was reduced in almost all the countries of the Community while the national product and industrial production generally continued to increase. It should be noted that from 1950 to 1952, on the contrary, consumption of hard coal increased, often to a greater extent than the national product or industrial production.

TABLE N° 10

Apparent consumption of hard coal  
compared with the national product and industrial production  
(1950 = 100)

	Gross national product			Industrial production (excl. building)			Apparent consumption of hard coal		
	1951	1952	1953	1951	1952	1953	1951	1952	1953
Belgium . . .	97.8	97.0	99.2	114.7	111.8	110.8	119	107	102
France (1) . .	103.7	104.5	102.4	113.1	118.0	113.9	115	112	103
Germany . . .	117.5	125.0	119.0	119.8	128.6	138.9	114	122	107
Italy . . . . .	108.6	111.5	119.1	113.9	115.7	125.2	122	101	100
Luxembourg	118.3	125.4	108.7	122.9	122.9	112.4	128	137	99
Netherlands	100.9	101.7	106.2	104.5	105.4	119.1	105	104	101

(1) Including the Saar, so far as concerns industrial production and hard coal consumption.

The relative fall in the consumption of hard coal in 1953 is probably due, on the one hand, to depletion of stocks held by consumers and, on the other, to the replacement of coal by other sources of energy, as well as to a diminution of specific consumption itself under the influence of technical progress achieved in the use of fuels.

Any fresh setback in national economic progress would probably lead to a still more pronounced reduction in the demand for coal — unless there were an increase in purchases by consumers for stock-piling purposes.

b) *Steel*. — The apparent consumption of steel (production + imports — exports) increased more heavily than investments during the last two years:

TABLE N° 11

Apparent consumption of steel and volume of investments  
(1951 = 100)

	Apparent consumption of steel			Volume of investments (1)		
	1950	1952	1953	1950	1952	1953
Belgium and Luxembourg	98	104	88	107	97	98
France and Saar . . . . .	81	130	105	83	93	93
Germany . . . . .	91	132	132	90	103	104
Italy . . . . .	83	114	118	70	105	111
Netherlands . . . . .	91	97	103	100	97	100

(1) Excluding building.

However, towards the middle of the second half of 1953, the apparent consumption of steel fell off more rapidly than the production of the metal-processing industry. During the first two months of 1954, orders received by the iron and steel industry were relatively good, a sign that the market is approaching a state of balance.

c) *Influence of exports from the Community on the demand for coal and steel.*

The demand from third countries, in particular from those which are producers of raw materials, for the industrial products of Western Europe is adversely influenced by the American tendency towards recession and by the restricted volume of imports into Western Europe.

The first factor is not capable of being affected by developments in Europe; as regards the second, imports into European countries are decisively determined by the increase in the total production of the national economies themselves.

117. From all this preliminary work the conclusion may be drawn that the present increase in production in all countries of the Community would appear too slight to guarantee stability of employment in the coal and steel industries.

*Taking account of savings in the utilization of some products and the substitution of competing products in wide sections of industry, it may be estimated that an increase in industrial production of 3% per annum would be necessary to maintain production and employment in the coal-mining industry on the same level. It will depend upon the internal and external position of each country, as well as upon the economic policy of the governments, whether the prerequisite conditions for such an expansion can be created.*

## CHAPTER FOUR

### INVESTMENTS AND THEIR FINANCING

118. As has already been explained in the Report on the Situation of the Community at the beginning of 1954, the High Authority, while taking steps to establish its own credit so as to be able to open up new sources of capital to the industries of the Community, has been continuing to make preparations for its next steps in the field of investment.

Carried on simultaneously with a first study of the general objectives to be set <sup>(1)</sup>, this preparatory work has, in accordance with the wishes of the Assembly, borne principally upon the extent and type of investments now under way in the Community and on the present conditions for financing such investments.

#### Current investments

119. At the beginning of 1954, as during the preceding year, the High Authority conducted an enquiry into the investments under way in the industries of the Community <sup>(2)</sup>. The first results of this enquiry are set out below.

(<sup>1</sup>) See Report on the Situation of the Community at the beginning of 1954, Nos 21 to 37 and Nos 98 to 100 above.

(<sup>2</sup>) The High Authority defines as *investments*:

- expenditure on new plant or investments proper;
- expenditure on replacement of existing plant for the purpose of maintaining or increasing production capacities or raising the productivity of the enterprise;
- expenditure on maintenance and capital repairs exceeding \$ 500,000 in the coal-mining and iron and steel industries and \$ 200,000 in the lignite and iron ore industries.

These investments are considered as *under way* if the sum of orders placed on January 1 for plant or constructional work represents at least 10% of the total estimates.

They should be used with reservations for comparisons between investments under way on January 1, 1954 and on January 1, 1953. There can be no question but that the volume of investments under way in 1953 was reduced under the influence of the general economic development and particularly of financing difficulties.

TABLE N° 12

Current investments in the Community <sup>(1)</sup>

(in millions of dollars)

	As on January 1, 1953			As on January 1, 1954		
	Total expenditure involved <sup>(2)</sup>	In % of total expenditure involved	Total expenditure involved <sup>(2)</sup>	In % of total expenditure involved	Expenditure yet to be made	
					Amount	In % of amount of each industry
Hard coal industry <sup>(3), (4)</sup> . . . . .	1,791	40.5 %	1,497	40.9 %	727	48.6 %
Iron and steel industry . . . . .	1,717	38.8 %	1,220	33.3 %	654	53.6 %
Coking Plants <sup>(5)</sup> . . . . .	397	9.0 %	388	10.6 %	150	38.7 %
Lignite Industries <sup>(3), (6)</sup> . . . . .	400	9.0 %	461	12.6 %	346	75.0 %
Iron ore mines . . . . .	120	2.7 %	96	2.6 %	54	56.3 %
<i>Total</i> . . . . .	<b>4,425</b>	<b>100.0 %</b>	<b>3,662</b>	<b>100.0 %</b>	<b>1,931</b>	<b>52.7 %</b>

<sup>(1)</sup> Excluding construction of workers' housing;

<sup>(2)</sup> Excluding interest on capital during construction;

<sup>(3)</sup> Including thermal power stations, but excluding cokeries;

<sup>(4)</sup> Including patent fuel plants;

<sup>(5)</sup> All coking plants producing metallurgical coke;

<sup>(6)</sup> Including plants for producing low-temperature coke.

120. The following five tables provide a survey of current investments and the net increase expected in capacity.

Four explanatory remarks, applicable to all the industries, are necessary concerning capacity:

- a) by the net increase in capacity we understand the increase in the nominal capacity of a mine,

works, coking plant or thermal power station between the beginning of 1954 and the beginning of 1958, expected from the completion of current investments, after deduction of capacity of plants closed down;

- b) the amounts of expenditure cover all work under way even if some increases in capacity will not be obtained until after the beginning of 1958;
- c) the increase in net production capacity does not correspond exactly to the increase in maximum production: there will generally be a margin of 5 to 15% between theoretical capacity and capacity actually attained;
- d) finally, the result expected from investments under way does not involve exclusively an increase of capacity or of production, but to as great an extent also the maintenance of present capacities of some plants with an increase in productivity; it is extremely difficult to classify investments according to these two criteria; any investment tending toward rationalization and modernization of existing capacities will usually result in some increase of these capacities: in fact, a considerable part of the net increase in capacity indicated is expected from a large number of measures calculated to raise productivity.

## HARD COAL INDUSTRY

TABLE N° 13

Current investments in the hard-coal industry

(in millions of dollars)

	As on January 1, 1953	As on January 1, 1954		Net Increase in Capacity at beginning of 1958
	Total expen- diture involved	Total expen- diture involved	Expen- diture yet to be made	
Pits . . . . .	1,310	1,054	592	17 - 17.5 million metric tons net extraction per annum
Mine-owned coking plants . . . . .	255	250	107	5 to 6 million metric tons of coke per annum
Independent coking plants . . . . .	84	86	25	1 to 1.5 million metric tons of coke per annum
Thermal power stations . . . . .	463	428	127	850 to 950,000 kW
Patent fuel plants	18	15	8	0.5 to 0.6 million metric tons per annum
<i>Total . . . . .</i>	<b>2,130</b>	<b>1,833</b>	<b>859</b>	

121. Of the total amount of investments under way at the beginning of 1954, that is \$ 1,833 million, expenditures yet to be made represent about 47%. From one year to the next, expenditures to be made have decreased by 40%, a fact which would seem to reflect a considerable slowing down of the rhythm of new investments.

A study of investments under way by type of plants gives rise to the following observations:

- for investments in *pits*, a very sizeable drop is recorded from one year to the next; the net increase in production capacity at the beginning of 1958 is about 17 million metric tons per annum in respect of the net extraction in the Community, 11 to 12 million tons of which would be produced in the coal-fields of the Ruhr;
- in *mine-owned* as well as *independent coking plants* where the rhythm of investments under way remains at the same level for the whole Community, it can be expected that

the theoretical through-put capacity will rise from 53 million metric tons at the beginning of 1954 to 60 million metric tons at the beginning of 1958.;

- in *pit-head power stations*, there is also a sizeable falling-off; the slowing down of investment activity in this sector which offers considerable scope for the application of measures of improvement and modernization, is partly accounted for by the completion of some large-scale projects; at the beginning of 1958 power installed will be expanded by about 900,000 kW as compared with the beginning of 1954;
- in *hard-coal patent fuel plants* which account for a relatively small amount, the total of investments under way is likewise reduced; the estimated production capacity should increase by about half a million metric tons between now and the beginning of 1957.

On the whole, the sizeable drop recorded in expenditures still to be made in respect of investments under way both for pits and pit-head power stations cannot fail to give rise to certain apprehensions.

### LIGNITE INDUSTRY

TABLE N° 14

Current investments in the lignite industry

(in millions of dollars)

	As on	As on		Net increase in capacity at the beginning of 1958
	January 1, 1953	January 1, 1954	Expen- diture yet to be made	
	Total expen- diture involved	Total expen- diture involved		
Mines . . . . .	326	359	279	6 to 7 million metric tons mined per annum
Briquetting and low- temperature coking plants . . . . .	58	36	26	0.5 million metric tons per annum (1956)
Thermal power stations	16	66	41	135 to 140,000 kW
<i>Total . . . . .</i>	<b>400</b>	<b>461</b>	<b>346</b>	

122. The amount of current investment has gone up from one year to another; expenditures still to be made have actually increased by 16%.

A study of investments under way by type of plants gives rise to the following observations:

- in *lignite mines*, where investments are largest, we find an intensified investment activity; the increase in mining capacity should reach 6 to 7 million metric tons of crude lignite;
- in *brown-coal briquetting plants*, a sizeable drop must be recorded; an increase in production capacity of about half a million metric tons per annum may be expected (at the beginning of 1956);
- in *low-temperature coke of lignite mines*, which account for a very small sum, investments are evolving normally and for the most part involve a better utilization of low-grade fuels;
- on the other hand, as regards *the thermal power stations*, the amount of investments under way is particularly high in relation to the preceding year due to initiation of a major programme designed to increase the production of electricity in order to utilize a considerable part of the low-grade lignite production which is unsuitable for briquetting.

It should be noted that, as far as lignite used otherwise than for the manufacture of patent fuel and low-temperature coke is concerned, the action of the High Authority is limited to exceptional cases. (Annex I, number 3 of the Treaty.)

### IRON ORE MINES

TABLE N° 15

Current investments in the iron ore mines  
(in millions of dollars)

	As on	As on		Net increase in capacity at the beginning of 1958
	January 1, 1953	January 1, 1954	Expen- diture yet to be made	
	Total expen- diture involved	Total expen- diture involved		
Mines . . . . .	109	84	48	10 to 10.5 million metric tons of black ore mined per annum
Ore-dressing at mines	11	12	6	
<i>Total . . . . .</i>	<b>120</b>	<b>96</b>	<b>54</b>	

123. The total amount of investments under way at the beginning of 1954 is \$ 96 million. This indicates a drop of 20% from the total amount of investments under way at the beginning of 1953.

Expenditures still to be made for current investments show decrease from \$ 90 to \$ 54 million, or \$ 36 million from one year to the other.

A sector-by-sector study shows:

- for the *mines proper*, a slowing down in the rhythm of investments; the increase in extraction capacity resulting from these investments will reach 9 million metric tons of black ore annually at the beginning of 1956, and 10 to 10.5 million metric tons at the beginning of 1957; two thirds of this increase in capacity would come from the coal-fields of Eastern France;
- for *ore-dressing plants at the mines*, an acceleration in the rate of investment; this trend of investments will bring about an improvement in the commercial value of most low-grade ores.

### IRON AND STEEL INDUSTRY

TABLE N° 16  
Current investments in the iron and steel industry

(in millions of dollars)

	As on January 1, 1953		As on January 1, 1954	
	Total expendi- ture involved	Expendi- tures yet to be made	Total expendi- ture involved	Expendi- tures yet to be made
Preparation of charges . . . . .	46	38	33	22
Blast furnaces . . . . .	177	122	127	70
Basic Bessemer steel works . . . . .	87	60	54	35
Open-hearth steel works . . . . .	132	73	53	22
Electric and other steel works . . . . .	31	19	24	11
Rolling mills . . . . .	982	598	764	445
<i>Total . . . . .</i>	<i>1,455</i>	<i>910</i>	<i>1,055</i>	<i>575</i>
Coking plants . . . . .	58	35	52	18
Thermal power stations . . . . .	142	80	76	39
Miscellaneous . . . . .	120	66	90	40
<b>Grand total . . . . .</b>	<b>1,775</b>	<b>1,091</b>	<b>1,273</b>	<b>672</b>

124. These data, which are still provisional for 1954, are not entirely comparable because the questionnaires were drawn up differently for two years. In 1953, the questionnaire was concerned only with current investments; in 1954, the following factors were considered: investments completed during 1953, those under way on January 1, 1954 and those to be started in 1954.

It would, however, seem possible to draw some conclusions:

- the lower total in respect of work under way indicates an overall curtailment in these schemes;
- the relative reduction in expenditures yet to be made shows greater progress in programmes under way.

These two facts show the value of work completed during 1953 was much greater than the value of new schemes undertaken during that year.

In general, the study of the questionnaires has given the impression that attention has been turning away from expansion toward modernization and rationalization. A very marked curtailment in expenditures for steel works and the size of the work undertaken on rolling mills clearly confirm this tendency.

The sizeable decrease in work on thermal power stations is the effect of the completion of certain major schemes in 1953. On the other hand, the volume of work on coking plants has diminished only very slightly.

125. Details of the forecasts of increased capacity resulting from investments completed during 1953, those under way at the beginning of 1954 and those to be undertaken in 1954 are shown in the following table:

TABLE N° 17

Increases in capacity resulting from current investments in the iron and steel industry (1)

(in thousands of metric tons)

	Production in 1952	Increases in capacity				Increase in relation to production in 1952
		attained in 1953	under way on Jan. 1, 1954	to be started in 1954	totals	
PIG-IRON . . .	34,740	1,255	2,267	1,478	5,000	14 %
STEELS:						
basic Bessemer .	22,987	1,462	1,460	1,003	3,925	17 %
open-hearth . .	15,198	1,913	1,539	351	3,803	25 %
electric and other	3,628	158	425	285	868	24 %
<i>Total steels . . .</i>	<b>41,813</b>	<b>3,533</b>	<b>3,424</b>	<b>1,639</b>	<b>8,596</b>	<b>20.5 %</b>
FINISHED PRODUCTS:						
railway material	1,440	100	250	150	500	8 %
heavy sections .	2,712					
semis for tubes .	2,136					
light sections . .	10,176	400	1,300	600	2,300	23 %
wire . . . . .	2,844	—	1,200	100	1,300	45 %
strip . . . . .	2,076	180	600	260	1,040	50 %
plates over 3 mm	4,284	400	1,800	560	2,760	62 %
plates and sheets under 3 mm . . .	2,844	720	1,300	680	2,700	95 %
<i>Total Finished Products . . .</i>	<b>28,512</b>	<b>1,800</b>	<b>6,450</b>	<b>2,350</b>	<b>10,600</b>	<b>37 %</b>

(1) Investments completed during 1953, under way at the beginning of 1954 or to be undertaken in 1954.

126. Insofar as pig-iron and steel production is concerned, the increases announced by the companies aim at a production capacity of about 50 million metric tons of steel by 1957 or 1958. It must be noted, however, that "completed" work represents a much higher proportion of the increase than work yet to be undertaken. This fact points to two things: on the one hand, the completion of major post-war programmes in respect of new constructions ("Solac", Cornigliano) as well as reconstruction (Hamborn,

Mondeville, Piombino, Watenstedt, etc.), and on the other hand, a tendency to curtail steel production development schemes in order to give a greater impetus to programmes concerned with modernization and the lowering of production costs. Most of the schemes connected with steel production envisaged for 1954 are concerned with the removal of bottlenecks in supplies to up-to-date mills i. e. programmes for harmonizing production which at the same time aim at a lowering of production costs.

As for the different types of steel, the overall picture shows a relatively greater increase of open-hearth and electric steel than for basic Bessemer; it seems, however, that in the case of programmes yet to be undertaken, the reverse tendency is revealed, a development which is more in line with the new possibilities of basic Bessemer steel refined with oxygen and the necessity for having in mind a reduction in the relative proportion of scrap in the production of steel.

The most interesting information emerges from the percentage of increase within each large category of finished products.

They reveal the relative decline in the production of heavy sections in favour of light sections and wire, and above all the increasing proportions of the production accounted for by flat products. This is the same development as that which has been registered in the United States, Great Britain, etc. It is due to research into cheaper building methods, and to the development of new techniques in the use of plates and sheets. Flat products account for 32% of the production in 1952; this percentage should rise to about 40% by 1958, if all increases in capacity are taken into consideration.

Similar efforts are being made in respect of semi-finished products (blooming mills, slabbing mills, billeting mills, wide-strip mills) to ensure the production of finished products under the best conditions. It certainly appears

that the greatest reduction in production costs is possible in the rolling mills. Consequently, it is not surprising that expenditures for rolling mills represent more than 50% of all the expenditures envisaged in the iron and steel industry.

#### Present-day terms for financing

127. An enquiry made in 1953 among the various trade and manufacturers' associations of the Community's industries made it possible to compile statistics on the financing of investments in the different countries of the Community. These data were then submitted to six financial experts, one from each of the member countries. In the course of the many meetings which this committee of experts held at Luxembourg towards the end of 1953 and at the beginning of 1954, it was possible to discuss, clarify and complete these data.

This work enabled the services of the High Authority to draw important conclusions as to the systems of financing employed by the iron and steel industry, the coal-mining industry, smelting works and lignite mines.

The underlying concern of this enquiry was to make the statistics collected as comparable as possible, in order to obtain a coherent overall picture.

From the outset of this enquiry, the questions were formulated in such a way as to eliminate, insofar as possible, differences of conception or definition between the various regions and coal-fields.

In spite of these precautions, the various figures compiled must be read with certain reservations. Some of them, those in respect of sources of financing other than self-financing, could be cross-checked and thus are more reliable than others, in particular the figures in respect of the amount of the investments themselves and the enterprises own resources.

Finally, it will be noted that the enquiry was terminated at the beginning of 1954, at a time when the accounts for 1953 had not yet been finally closed, so that the 1953 figures are more or less estimates.

But irrespective of the implications of these reservations, the scale of the figures is significant and permits certain conclusions to be made on the financing of investments in the industries of the Community during the past two years.

128. Before examining the methods of financing employed by each of the industries separately, we must stress the great difficulty which all these industries are facing in procuring the necessary funds on acceptable terms.

The following table gives, for the past two years, the total amount of funds which the enterprises have been able to obtain outside their own resources, and that part of that amount received from what should be the normal sources of financing for the enterprises, that is, the issue of shares and bonds, and loans from banking institutions with a maturity of more than five years.

TABLE N° 18

Means of financing at the disposal  
of the enterprises of the Community

( in millions of dollars )

	1952			1953		
	Total	Public Issues and Loans for more than 5 years		Total	Public Issues and Loan for more than 5 years	
		Amount	in % of total		Amount	in % of total
Iron & Steel Industry . . . . .	335.3	83.1	25 %	428.7	98.4	23 %
Coal-mining industry . . . . .	305.0	70.8	23 %	344.1	100.2	29 %
Iron ore Mines . . . . .	6.5	2.4	37 %	12.4	1.2	10 %
Lignite Mines . . . . .	8.0	—	—	25.1	—	—
<i>Total . . . . .</i>	<b>654.8</b>	<b>156.3</b>	<b>24 %</b>	<b>810.3</b>	<b>199.8</b>	<b>25 %</b>

This table shows that 75% of the funds which the enterprises have been able to obtain outside their own resources, that is, about \$ 500 million in 1952 and \$ 600 million in 1953, came from sources which cannot be considered as normal because they come either from short-term bank loans or American aid and public funds.

Furthermore, these funds can often be obtained only at extremely high interest rates, frequently rising as high as 8 to 9% and even higher. These few figures clearly reveal the gravity of the problem of financing investments in the Community and the urgency with which solutions should be found.

129. The principal aim of the enquiries in question was to be able to compare methods of financing employed in the various member countries for each of the large production sectors. The overall investment figures brought to light by these enquiries do not correspond to a net increase in productive capacity. These figures are concerned not with the net amount of investments but with all the work undertaken by the enterprises, and thus include, in particular, replacements and major repairs costing more than \$ 500,000 (EPU units). Thus, the idea of investment as used here is rather that of gross investment — less variations in the value of stocks, and repairs costing less than \$ 500,000.

The definition of "enterprises' own resources" is very broad, since it includes all internal resources of the enterprises used to finance investments as defined above; these resources may arise from normal amortization, deferred amortization, ploughing back a year's net profits or reserves accumulated during previous years, or, in general, from any recourse to the finances of the enterprises.

#### IRON AND STEEL INDUSTRY

130. The following table presents a general picture of the methods of financing employed by the iron and steel industry during 1952 and 1953.

TABLE N° 19

Means of financing at the Disposal of the iron and steel industry

*(in millions of dollars)*

	1952	1953
Public issues and loans for more than 5 years . . . . .	83.1	98.4
Short and medium-term credits . . . . .	84.5	116.5
Public funds (included American aid) . . . . .	148.1	155.1
Miscellaneous . . . . .	19.6	58.7
<i>Total external financing</i> . . . . .	<i>335.3</i>	<i>428.7</i>
<i>Self-financing</i> . . . . .	<i>240.8</i>	<i>232.1</i>
<i>Total of investments financed</i> . . . . .	<i>576.1</i>	<i>660.8</i>

The first fact that stands out in this table is the small proportion of the investments (14%) which the enterprises have been able to finance, either in 1952 or in 1953, by calling upon the capital market. In order to evaluate these figures, it must be pointed out that the financing of the new plants of Cornigliano is included in the public issues and loans running for more than 5 years; this operation was carried out in Italy by a specialized financing organization which issued bonds amounting to \$ 53 million during 1952 and 1953. \$ 22.6 million worth of shares were issued in 1952 and \$ 24.9 million, in 1953.

The enterprises have turned to various sources of financing in order to off-set this inadequacy of the money market. The largest portion came from their own resources which accounted for 42% of investments in 1952 and 36% in 1953; banking institutions furnished 15% in 1952 and 16% in 1953; finally, public loans (including American aid) covered 26% of investments in 1952 and 23% in 1953.

Of course, if the situation in each country of the Community were examined separately, the above percentages would vary considerably. For example, the percentage represented by enterprises' own resources is much below the average in France and Italy, a fact which is explained by the maintenance of a high level of investments

and by the limited resources available for self-financing. On the other hand, the percentage of enterprises' own resources is very high in Belgium and Luxembourg.

### COAL-MINING INDUSTRY

131. Here, the situation is on the whole similar to that of the iron and steel industry.

TABLE N° 20  
Means of financing at the Disposal of the Coal-mining industry  
(in millions of dollars)

	1952	1953
Public issues and loans for more than 5 years . . . . .	70.8	100.2
Short and medium-term credits . . . . .	66.0	88.1
Public funds, including American aid . . . . .	167.9	145.1
Miscellaneous . . . . .	0.3	10.7
<i>Total of external financing</i> . . . . .	<i>305.0</i>	<i>344.1</i>
<i>Self-financing</i> . . . . .	<i>227.9</i>	<i>151.3</i>
<i>Total of Investments financed</i> . . . . .	<i>532.9</i>	<i>495.4</i>

The evolution which occurred in the coal-mining industry from 1952 to 1953 must be underlined. While the amount in respect of work carried out has varied but slightly, the amount which the enterprises have been able to allocate for investments from their own resources has sharply fallen off. This fact, which is explained by the development of the coal market, reveals to what extent the possibilities of carrying through investments in the coal-mining industries is dependent upon the general economic situation; stocks, in particular, place a heavy burden on the finances of the enterprises.

In order to be able to finance their investments, the coal-mining industries of the Community were compelled to find outside capital for 57% of their total investments in 1952 and for 69% in 1953.

The coal-mining industries of the Community have not made a single issue of shares either in 1952 or in 1953.

Public issues brought in \$ 38.4 million in 1952 and \$ 57 million in 1953, while the rest of long-term financing came from insurance companies, semi-public and miscellaneous other organizations and foreign loans.

The inadequacy of the money market has caused the enterprises to call upon banks for temporary credits. Although these are only short-term credits whose renewal is generally uncertain, the interest rates are extremely high, rising to 7.5% in Germany and 7 to 8% in France and the Saar.

Public financing is marked by a great diversity in forms used and interest and amortization terms. In many cases the reduction or different allocation of the counterpart funds from American aid renders the continuance of this financing uncertain.

### IRON ORE MINES

132. The table below supplies the same information in respect of the iron ore mines.

TABLE N° 21  
Means of financing at the Disposal of the Iron ore Mines  
(in millions of dollars)

	1952	1953
Public issues and loans for more than 5 years . . . . .	2.4	1.2
Short and medium-term credits . . . . .	3.0	4.5
Public funds, including American aid . . . . .	1.0	2.0
Miscellaneous . . . . .	0.1	4.7
<i>Total of external financing</i> . . . . .	6.5	12.4
<i>Self-financing</i> . . . . .	23.9	28.8
<i>Total of Investments financed</i> . . . . .	30.4	41.2

## LIGNITE MINES

133. In the case of lignite, only the production of brown-coal briquettes and low-temperature coke of lignite fall under the jurisdiction of the High Authority in normal circumstances. However, it is almost impossible to draw a hard and fast line between investments for the production of brown-coal briquettes and low-temperature coke of lignite and investments for overall extraction of crude lignite. For this reason, the table below gives the total investments in lignite mines.

TABLE N° 22  
Means of financing at the Disposal of the Lignite Mines  
(in millions of dollars)

	1952	1953
Public issues and loans for more than 5 years . . . . .	—	—
Short and medium term credits . . . . .	3.1	21.5
Public funds, including American aid . . . . .	2.4	3.0
Miscellaneous . . . . .	2.3	0.6
<i>Total of external financing . . . . .</i>	<i>7.8</i>	<i>25.1</i>
<i>Self-financing . . . . .</i>	<i>26.5</i>	<i>39.5</i>
<i>Total of investments financed . . . . .</i>	<i>34.3</i>	<i>64.6</i>

Practically speaking, only two member countries of the Community, Germany and the Netherlands, produce brown-coal briquettes, and production in the Netherlands is about 0.5% of that in Germany. It may be noted that the amount of bank credits has increased 7 times from 1952 to 1953. This is partially due to pro-financing (\$ 15 million in 1953) by the banks of "aid for investments" (Investitionshilfe), which will subsequently be consolidated in the form of bonds.

134. Financing from external sources is a problem in all the industries of the Community. As has been shown above, only 25% of this financing is at present obtained from long-term financing, while 75% comes from short-term bank

credits, American aid and public funds. Financing by these means to such an extent cannot continue.

135. The other disquieting aspect of present methods of financing is cost. Some calculations have been made on financing in the coal-mining industry, and the conclusions drawn therefrom are equally applicable to financing in the other industries of the Community.

In order to assess the burden of financial charges on European coal production, an attempt has been made to form an average estimate from the various methods of financing practised in the different countries. On the basis of this study, it appears that *the 350 odd million dollars of external funds obtained by the enterprises in 1953 impose a charge (for interest and amortization) upon the resources of the coal-mining industry of the Community in the order of \$ 45 million per annum.* The total annual charges payable on loans contracted by the coal-mining industry of the Community thus average more than 13%, that is, for practical purposes, the equivalent of a ten-year loan at 6%.

This burden is even greater since it is cumulative, that is, the charges on loans contracted each year are added to those on loans taken up in preceding years. Thus after several years, if the level of investments remains constant or, to a still greater degree, if it rises, financial charges can represent such a burden that the enterprises will no longer be able to find the necessary sums within their production costs and amortization reserves to meet their financial obligations. Thus it can happen that the purpose of the investments will be thwarted because the results of modernization are off-set by the burden of financial charges.

The situation is completely different in those countries which have been able to maintain sounder conditions of financing. This is the case in Great Britain

where interest rates are about 4 to 5% for loans with a 20 to 25-year maturity, and even more so in the United States where interest rates vary between 3 and 4% for similar amortization periods. It is even the case in certain Community such as the Netherlands, and, to a lesser extent, Belgium.

The following figures underline the difference between these various examples: while the annuity for loans taken up by the enterprises of the Community at 6% over 10 years averages more than 13%, it amounts to only 7% in the case of a loan at 4% over 20 years.

*Thus, the re-establishment of normal terms of financing constitutes, for the Community, a fundamental objective on which the whole future of European industry depends.*

#### CONSTRUCTION OF WORKERS' HOUSES

136. A review of the present situation of financing in the Community's industries would be incomplete if it did not also take into account the investments carried out in the field of worker's housing.

137. During the past few years, financing of construction of workers' houses in the Community has come up against two major difficulties: the general scarcity of long-term capital and an extremely high rate of interest charged on such capital.

Since the end of the war, the extensive requirements for the re-equipment and modernization of industry have drained off the greater part of available capital and have contributed to sending interest rates up to abnormally high levels. In order to remedy this lack of housing in the Community, the limited capital available must be directed into the construction of those houses which will be of

greatest benefit from both the social and the economic point of view.

In those cases where the necessary capital is available, the problem arises as to whether or not investments in housing construction are profitable; for, in all of the countries of the Community rents are too low to cover the annual financial charges connected with housing construction.

In order to carry through the building programmes, the governments are obliged to step in to reduce the difference between these annual charges and the revenue from rents. Various means are employed for this purpose: one-time or annually recurring non-reimbursable grants, loans at reduced rates of interest, etc.

Insofar as governmental subsidies are insufficient, the enterprises themselves are obliged to contribute toward the financing of the construction of workers' housing.

138. The High Authority could take action to help in resolving these difficulties by granting loans and giving guarantees.

Then again, there are several possibilities which may be considered with a view to closing the gap between the annual charges and the revenue from rents, viz.:

- to reduce construction costs, the High Authority might encourage the continuous development of large-scale building programmes, planned and executed on the most economic lines <sup>(1)</sup>;
- to reduce the annual charges on loans, a lower rate of interest and longer amortization periods than those now available on the markets of the Community would be particularly helpful.

<sup>(1)</sup> See N° 152 below.

### The product of the general levy and how it is used

139. From the very first day, one of the main preoccupations of the High Authority has been to establish the credit standing of the Community in order to mobilize resources which would enable it to contribute to the financing of capital investments of the enterprises.

Primarily in order to prepare itself for the fulfilment of its tasks in this field, the High Authority imposed, early in 1953, a levy on the coal and steel production. The largest part of the revenue from this levy is to be used as a basis for the financial liabilities which the High Authority will be incurring in the interests of the enterprises. The funds represented by this levy are, therefore, far from being immobilized. On the contrary, they will make it possible to provide the industry of the Community with considerably larger financial means than the amounts of which it is being deprived by the payment of this levy, and it was solely with this purpose in mind that the High Authority introduced the system of collecting this levy at a progressive rate which has remained at 0.9% since July 1, 1953.

Between January 1, 1953 and January 31, 1954<sup>(1)</sup>, the general levy produced, in the various national currencies, the equivalent of \$ 43 million (E. P. U. units).

This amount may be broken down as follows among the various products of the common market which are subject to the levy:

Hard coal . . . . .	0.6 million dollars, or	1.4 %
Lignite . . . . .	20.4	47.0 %
Pig-iron . . . . .	1.1	2.5 %
Basic Bessemer steel	7.4	17.0 %
Other steels . . . . .	8.6	20.0 %
Finished products . . . . .	4.9	12.1 %
<i>Total . . . . .</i>	<i>43.0</i>	<i>100.0 %</i>

<sup>(1)</sup> Accounts for receipts for the month of January were closed on March 15.

The contributions of the enterprises of the six member countries of the Community, broken down by countries, are as follows:

Belgium . . . . .	4.8 million dollars, or	11.0 %
France and Saar . . . . .	12.7	30.0 %
Germany . . . . .	20.3	47.0 %
Italy . . . . .	2.2	5.0 %
Luxembourg . . . . .	1.3	3.0 %
The Netherlands . . . . .	1.7	4.0 %
<i>Total</i> . . . . .	43.0	100.0 %

On March 31, 1954, actual receipts collected since January 1, 1953, amounted to \$ 45.8 million (E.P.U. units). After deduction of the administrative expenses of the institutions, the balance in hand amounted to \$ 35 million. This balance is used to cover three reserve funds set up last January: the guarantee fund, the readaptation fund, and the fund for technical research.

As the balance in hand on December 31, 1953 amounted to \$ 24.2 million (E.P.U. units), it was decided to transfer this balance to the fund for the guarantee of future loans of the High Authority (\$ 20 million) and to the fund for the readaptation of workers (\$ 4 million).

Furthermore, on the basis of estimates of the product of the levy for the first six months of 1954 amounting to \$ 24 million (at the present rate of 0.9%), it has also been decided to allocate, from the anticipated revenue, \$ 15 million to the guarantee fund, \$ 3 million for readaptation purposes and \$ 1 million for technical research.

Administrative expenses are to remain limited to \$ 5 million.

On this basis, the allocation of resources as on March 31, 1954, presents the following picture:

Administrative expenses up to March 31, 1954 . . . . .	\$ 10.8 million
Guarantee fund . . . . .	\$ 27.8 million
Readaptation fund . . . . .	\$ 5.6 "
Technical research fund . . . . .	\$ 0.5 "
Allocation for administrative expenses . . . . .	\$ 0.7 "
	\$ 34.6 "
Miscellaneous . . . . .	\$ 0.4 "
<i>Total receipts from the general levy up to March 31, 1954 . . . . .</i>	<b>\$ 45.8 million</b>

## CHAPTER FIVE

### LABOUR PROBLEMS

140. In the light of the experience gained during the first year of the common market, the High Authority has been devoting serious attention to the whole complex of problems raised by living and working conditions. Its chief concern has been with questions of *re-employment of labour*, the *free movement of workers*, and the *construction of workers' houses*; in each of these three fields decisions have been taken, specific action been started, or negotiations opened with the various governments.

During this same period, the High Authority has also been continuing its action with respect to *technical training*, *workers' safety* and *health precautions*.

Finally, it has initiated investigations into *wages and terms of employment* and has undertaken to draw up a *statement on the manpower situation* in the industries of the Community.

#### Re-Employment of Labour

141. Competition in the common market is designed to make higher production possible. The investment policy should promote a constant improvement of equipment and a continued rise in productivity. But there is no progress without change, and change — no matter what precautions are taken or how long the periods envisaged — means the adaptation or elimination of the inefficient producer. That is one of the essential conditions for raising the standard of living. But in order to obtain these results, a major *obstacle* must be overcome. Progress in Europe has often in the past been hindered by the

desire to keep in operation even obsolete equipment and unprofitable enterprises because of the very legitimate fear of unemployment. Yet, to maintain such equipment and enterprises impose a burden on all consumers.

The High Authority is constantly endeavouring, to maintain a high level of employment in the whole Community. This for instance, is one of the considerations underlying its definition of general objectives. It must also ensure that economic and social progress is not thwarted by a crystallization of the existing structure of employment in any region, locality or enterprise of the Community.

Nothing is more important for the future of the European economy than to resolve this contradiction between the concern for a stable level of employment and the imperative needs of progress. Workers must be protected against the risks inherent in change, and yet it is obvious that the greatest danger which would threaten their standard of living would be to maintain conditions of production and employment that prevent all progress.

It is for this reason that the Treaty has provided "readaptation" schemes to compensate workers who may have to change employment as a result of these developments, to facilitate their resettlement and their technical re-training where necessary, and to direct investments into channels leading to productive re-employment.

142. When the High Authority receives a request for action from the government of one of the member States, it examines the merits of the request and may decide to grant non-repayable assistance with the object of:

- contributing to the payment of compensation to tide the workers over until they can obtain new employment (Article 56 of the Treaty; Section 23, Number 4, of the Convention);

- awarding grants to enterprises so as to ensure that their personnel are paid in case of temporary unemployment made necessary by a change in the firms' activities (Article 56 of the Treaty, Section 23, Number 4, of the Convention);
- paying resettlement allowances to the workers (Article 56 of the Treaty, Section 23, Number 4, of the Convention);
- financing the technical re-training of workers who are led to change their employment (Article 56 of the Treaty, Section 23, Number 4, of the Convention).

The State in question must pay a special contribution at least equal to the amount of assistance granted by the High Authority, unless an exception is authorized by a two-thirds majority of the Council.

Furthermore, the High Authority may in certain cases facilitate the financing of such programmes as it may approve for the creation of new and economically sound activities capable of assuring productive employment to discharged workers. It may do so in cases where the introduction of technical processes or new equipment, within the framework of the general objectives laid down by the High Authority, would lead to an exceptionally large reduction in labour requirements in the coal or steel industries, making it especially difficult in one or more areas to re-employ the workers discharged. This financial assistance may be granted either to the coal and iron and steel industries or — with the agreement of the Council — to the enterprises of any other industry.

143. In order that it may take such action in sufficient time and most effectively, the High Authority has

requested the governments to submit regular information on employment trends in the coal and steel industries so that any cases calling for readaptation may be known sufficiently in advance, and effective co-ordination to this end be established between the High Authority, the national governments, the enterprises and the workers' organizations. On February 4, 1954, the High Authority suggested by letter to the governments of the member States that a system of periodic consultation be set up with its representatives. Most of the governments have already agreed to this proposal.

In order to be able to act quickly, the High Authority, as the Common Assembly was informed last January, set up a reserve fund of \$ 7 million (E.P.U. units) from its resources on hand at the end of 1953 and its receipts for the first six months of 1954.

Considering that in each case the governments contribute at least an equal amount, the total sum will permit the High Authority to meet the cost of re-employing from 12 to 15,000 workers, if necessary; in all probability, the amount is more than enough to cover the expected requirements for 1954.

144. Up to the present time the High Authority has been requested to take action in three cases:

1) A request made by the French Government concerning 150 workers from a mining enterprise in the Loire coal-fields which was normally producing some 3,000 metric tons of coal per month. The High Authority did not grant this request because the unemployment compensation paid by the French Government cannot be considered as a *special* contribution in the sense of Section 23 of the Convention.

2) A second request by the French Government has just received a favourable reply from the High Authority. It is with respect to the grant of non-repayable assistance to carry through a programme of the Charbonnages de France involving the re-employment, over a three-year period, of approximately 5,000 miners from French Centre-Midi coal-field for whom employment exists in the Lorraine collieries.

Documents in support of this request were discussed jointly by representatives of the French Government, the Charbonnages de France, the miners' trade unions (Confédération Générale du Travail, Force Ouvrière and Confédération française des Travailleurs chrétiens), and representatives of the High Authority.

The documents show that the re-employment of 5,000 miners over a three-year period would entail an expenditure of approximately 4 thousand million French francs to cover — payment of a re-settlement compensation of 200,000 French francs to every miner who is head of a family, and of 75,000 francs to every unmarried miner;

— moving and transportation expenses of workers who are compelled to change their residence.

The High Authority has decided to grant non-repayable assistance covering half this expenditure; the French Government has agreed — in accordance with the Treaty — to cover the other half.

Local committees made up of representatives of workers and mine owners, and a central committee in Paris, on which the High Authority will be represented, will be set up at once in order to organize the voluntary movement of the miners from the Centre-Midi coal-field to Lorraine, and to create the necessary conditions for this transfer to take place in an atmosphere of co-operation and understanding.

Furthermore, the French Government has requested a loan from the High Authority for the construction of houses in Lorraine to receive transferred workers who have families.

3) The Italian Government has requested that the High Authority act on the basis of Section 23 to ensure the re-employment of approximately 8,000 workers from the iron and steel industry who have been discharged since September 1953 or whose dismissal is envisaged during the coming months.

The new prospects of competition created by the common market have accelerated the modernization programmes under way during the past few years in the Italian iron and steel industry; moreover, the provisions of the Treaty have deprived the authorities of some of their traditional means of protecting this industry.

Meetings are now taking place between the Italian Government and the High Authority in order to study the programmes proposed by the Italian Government for the re-employment of labour which has been dismissed; producers and workers are being kept informed of these meetings.

Upon the execution of these programmes will depend the action of the High Authority and the terms on which its assistance will be granted.

145. The economic recession which occurred in 1952/53 was accompanied by major structural changes in some Community countries.

In *France*, for example, concentrations of works in the iron and steel industry are causing reductions in personnel which will be only gradually offset by new employment openings in the processing industry. The problem of the rehabilitation of workers thus forced to change employment might be solved under the terms of Section 23 of the Convention. This situation will be studied within the framework of the periodic consultations mentioned above.

In *Belgium*, a request for action under the terms of Article 56 of the Treaty and Section 23 of the Convention, may one day be made for certain marginal mines, but this matter cannot be considered until the technical and economic studies carried out by the Belgian Government and representatives of producers and workers, have arrived at definite conclusions.

In *Germany*, the employment situation in the iron ore mines has deteriorated markedly in the last few months. It would seem that this is chiefly due to difficulties in marketing the output of the mines because of competition from ores coming outside the Community.

146. As can be seen from this, the High Authority's activity with regard to re-employment has made considerable progress during recent months. Its future development is still difficult to predict, but it must be stressed that this is the first time in the history of Europe that such measures have been undertaken. They may well have strong repercussions on the attitude of workers towards the changes which occur as a result of increased competition and technical progress. In some countries similar schemes for workers in industries other than coal

and steel are already being planned; this is one of the many signs of the dynamic role which the Community plays in the life of our six countries.

### Free movement of labour

147. The common market becomes a reality as the obstacles to movement — not only of products, but also of labour — are removed. Coal and steel workers should be able to move without restriction or discrimination from regions where work is slack to regions of greater activity. Areas of over-employment and areas of under-employment should no longer exist within a few miles of each other. Furthermore, the free movement of workers is a determining factor in securing uniform improvements in working and living conditions.

148. The working group which the High Authority set up in March 1953 to study the measures to be proposed to the governments for the implementation of the obligations they have undertaken, completed its work in November, and has forwarded its conclusions to the High Authority.

On the basis of this report, the High Authority announced to the governments of the member States its views on the application of Article 69, on December 16, 1953.

The High Authority considers that the member States, in subscribing to the application of Article 69 of the Treaty, bound themselves to undertake certain measures. Joint technical preparation is necessary to implement some of these measures, e. g.:

- the definition of skilled jobs and conditions of qualification of workers in the two industries of the Community (Article 69, number 2);

- the determination of what limitations must be placed on the free movement of labour to satisfy the fundamental needs of health and public order (Article 69, numbers 1 and 2);
- the working out of administrative procedures which will permit offers of and demands for for employment in the Community as a whole to be brought together (Article 69, number 2);
- arrangements to ensure that social security measures do not stand in the way of the movement of labour (Article 69, number 4).

Other measures do not require similar joint preparation but can be taken by individual action on the part of each State, e. g.:

- the adaptation of national immigration regulations, in particular to facilitate the re-employment of those workers who come from the coal and steel industries of member States but who do not have "recognized qualifications" in the sense of Article 69 (Article 69, number 3);
- the prohibition of any discrimination in payment and terms of employment as between national and foreign workers (Article 69, number 4).

Moreover, the High Authority is of the opinion that the implementation of Article 69 should go hand in hand with the economic and social objectives of the Community, and that it should assist in enabling the workers to choose freely from the whole territory of the Community, the enterprise in which they wish to work.

The High Authority, therefore, considers that the provisions of Article 69 must apply to all workers in the Community, with the following reservations:

- a) A situation must be avoided in which labour belonging to other sectors of the economy would be able to claim the benefits of Article 69 after having worked for a few weeks in the coal and steel industries; consequently, the High Authority is of the opinion that to benefit by Article 69, a worker must have been employed for at least two years in the mines or three years in the iron and steel industry;
- b) With respect to workers having "recognized qualifications" in the technical sense, the High Authority has expressed the opinion that they should benefit from the provisions of Article 69 without any stipulation as to a minimum period of employment in addition to their acknowledged qualification; such a measure would prevent enterprises which recruit their labour force in a market where the demand for employment exceeds the jobs available from remaining in a privileged position, and would reduce the excessive cost of recruitment or technical training for those enterprises which recruit in a market where labour is more scarce.

In addition, the High Authority has suggested that various implementing measures be set up: introduction of a "free movement" permit; periodic exchanges between member States of lists of jobs available; adoption of a common definition of skilled jobs and conditions of qualification; the co-ordination of bilateral agreements and the conclusion of a multilateral agreement on social security applicable to workers having a nationality different from that of the country in which they work.

149. The governments have taken note of these suggestions and an intergovernmental conference on the free movement of labour will open on May 17. At the High Authority's request, a special conference on social security problems has also been planned.

### Workers' Housing

150. The policy for housing in the coal-mining and steel industries forms an integral part of the economic policy of the High Authority. Investments for housing are indispensable; by improving the living conditions of the workers, by helping to stabilize labour in the regions where employment can be maintained, by facilitating the movement of workers towards enterprises in regions where production is expanding, the construction of housing should play an important role in raising the productivity of both new investments and present plant.

151. In order to set up criteria for action in this field once its funds for financing investments are assured, the High Authority has undertaken research on the technical and administrative, as well as on the economic and financial aspects of the problem.

In the various countries of the Community, the building costs show marked differences; in general, they are too high, and the level of the rent of new housing is beyond the reach of coal miners and iron and steel workers.

Consequently, in order to make its housing subsidies as effective as possible, the High Authority considers that they should be coupled with an effort to reduce building costs.

Experts from all the countries were consulted, and their unanimous opinion on this problem was that it was desirable to make a comparison of building costs in order to ascertain the technical and financial measures best adapted to lowering the cost level.

Such an inquiry would also provide an opportunity for research into possible new uses of steel in the construction of workers' houses without any increase in cost.

152 With these considerations in mind, the High Authority has decided in principle — provided that the Council of Ministers unanimously agrees (Article 55, number 2, letter c) — to assist this effort by earmarking \$ 1 million (E.P.U. units) for the financement of experiments which would comprise the following elements:

- a) the carrying out of a building programme which, while limited, is large enough to furnish practical experimental data, viz.: — a total programme of 1,000 housing units for the whole Community, divided among building sites of at least 50 units, seems to fit this criterion;
- b) research into the most efficient organization of sites;
- c) research into the maximum rational use of steel compatible with reduction of construction costs;
- d) the establishment of general common specifications which would nevertheless make allowances for essential regional differences, such as, for instance, variations in climatic conditions; in order to draw up these general specifications, the High Authority has charged a group of architects from the six countries to draft plans for a model housing unit suitable for a family with three children of both sexes; these plans will serve as a basis for housing in the various industrial regions of the Community;
- e) a comparative analysis of building costs on the basis of charts prepared after consultation with experts from the various countries; these charts will make it possible to break down building costs at each site into comparable items and thus enable later comparisons of costs to be made;
- f) limitation of the High Authority's action to supplying just enough assistance to stimulate the flow of capital usually employed in this type of investments; a subsidy

of 1,000 dollars per unit is envisaged (a housing unit costs from about \$ 4,000 to \$ 6,000 at present);

- g) institution in each area concerned of a joint committee consisting of representatives of the public authorities, producers, workers, and an observer from the High Authority, this committee would advise on the location of building sites and the conditions necessary to achieving the objectives set; it would, in addition, work to establish contacts with national and regional organizations of professional, administrative and financial groups in order to facilitate future building programmes.

153. The break-down by areas of the programmes envisaged, and the corresponding contributions of the High Authority, would be as follows:

Coal-field or Area	Number of Housing Units	Subsidy planned by the High Authority (in dollars)
Ruhr . . . . .	350	350,000
Lorraine . . . . .	150	150,000
Nord and Pas-de-Calais	100	100,000
Aix-la-Chapelle (Aachen)	50	50,000
Campine . . . . .	50	50,000
Charleroi . . . . .	50	50,000
Liège . . . . .	50	50,000
Dutch Limburg . . . . .	50	50,000
Lombardy . . . . .	50	50,000
Luxembourg . . . . .	50	50,000
Saar . . . . .	50	50,000
<b>Total . . . . .</b>	<b>1,000</b>	<b>1,000,000</b>

### Technical training

154. The Community presents a unique opportunity for each country and region to benefit from the experience of others who have undertaken outstanding programmes during the past few years.

The cases of readaptation recently submitted to the High Authority have shown the importance of adequate technical training enabling workers to acquire recognized qualifications, or profitably prepare themselves for new types of work.

The general scarcity of skilled labour and the frequency with which insufficiently-trained supervisory staff are encountered, are further pointers to the importance of this task.

155. The High Authority has gathered detailed information on technical training in the coal-mining industry of various countries; in the Ruhr and Dutch Limburg, it has organized a study session on technical training of young underground miners. The experts, themselves experienced employers and workers, who attended these meetings, were able to enquire in complete freedom into the methods used in those two coal-fields and to judge the effects of technical training on recruitment and stability of labour, safety of working conditions, etc.

Furthermore, following this initial work together, they expressed the hope that these problems would be tackled on a Community-wide scale. They have discovered that while most of the countries have set up systematic programmes for technical training, there are still some which have considerable leeway to make up. It was evident that the first step towards harmonization of training and teaching methods on a European scale was an effective exchange of mutual information.

Consequently, the High Authority decided:

- to publish a complete monograph on the technical training of young underground miners in the Community countries: this document will appear shortly;
- to analyze the various systems of technical training in the coal-mining industry;
- to draw up an inventory of teaching aids, particularly films, existing in the Community: an exchange of films and teaching aids has been organized which makes maximum use of the right of free passage through customs and of the advantages of the cultural agreements concluded at the initiative of UNESCO and ratified by certain member States. The result is a mutual increase in the availability of the most modern technical aids, rendered possible by the elimination of obstacles which language differences and national prejudices still place only too often in the path of educational progress.

Similar action is being undertaken in regard to the steel industry.

#### **Health and safety of workers**

156. The rate of accidents in the Community is still much too high. No doubt major advances have already been made as regards safety regulations, care of the sick and injured, and scientific research, but it is essential to intensify efforts in this direction.

The High Authority has already prepared a programme in this field and is resolved to carry it through.

It has undertaken to develop existing contacts between documentation and research institutes dealing with medicine, health and safety precautions in the coal-mining industry.

The High Authority will facilitate the exchange of information on current research and will make foreign publications and their translations available to each institute. At its initiative, documentary and bibliographical work is being co-ordinated. As in the field of technical training, the action of the High Authority should ensure that language barriers are not an obstacle to exchange of informations and progress.

The High Authority is also collecting statistical information to provide a basis for action with respect to education in industrial safety and the prevention of accidents.

Finally, at the initiative of a German research institute, the High Authority is taking a close interest in enquiries into the psychological and sociological factors involved in accidents and the incidence of length of working hours and fatigue on the frequency and gravity of accidents.

Thus, benefiting from experience in one country the High Authority is able to foster similar research in other countries and so make it possible to compare results of research on the problem of accident prevention and to prepare energetic action in this domain.

#### **Wages and terms of employment**

157. During the past months, the High Authority has devoted a special effort to the task of studying wages and the hourly cost of manpower in the industries of the Community. This was an entirely new and complex undertaking

because it was most difficult to compare statistics prepared in the various countries.

Two committees of experts, composed of representatives of the governments, employers and workers' organizations, have worked on this problem for more than a year. They began by preparing a complete nomenclature of all the elements which make up, on the one hand, workers' incomes, and, on the other, enterprises' expenditure on wages and social charges. All these elements are grouped under several broad headings, and thus it is possible — for the first time — to make meaningful comparisons.

The figures for 1952 are given below for the coal-mining and iron and steel industries; others follow for the iron ore mines. The committees are continuing their work in an effort to improve the data for subsequent years, and in particular, regarding the assessment of the value of amenities in the form of housing, and the difference, in the mines, between work underground and at the surface. The study of differences from coal-field to coal-field will be continued simultaneously. Finally, work is in progress to find means of expressing as clearly and completely as possible, in terms of relative purchasing power, the various elements which are now expressed in national currencies.

#### COAL-MINING INDUSTRY

158. The following tables give, for the coal-mining industry, the hourly rate of expenditure on wages and related employers' charges, and the average annual income per worker.

TABLE

Cost of wages per hour and related employers' charges per

Year

	Germany		Belgium	
	DM	%	B. frs.	%
Wages proper . . . . .	1,982	100,0	30,20	100,0
Pay for stand-off days . . . . .		9,2		11,5
Social Security contributions . . . . .		32,8		16,4
Family allowances . . . . .		3,2		6,2
<i>Sub-Total</i> . . . . .	2,878	145,2	40,48	134,1
Cost of labour recruitment and training		1,0		( <sup>2</sup> )
Allowances in kind and training . . . . .		11,4		6,6
Other social contributions . . . . .		1,2		3,1
Taxes and dues . . . . .		—		—
<i>Grand Total</i> . . . . .	3,145	1,588	43,43	143,8

(<sup>1</sup>) This table, which deals with wages from the point of view of cost, must be read in the light of the following definitions and explanations:

A. The data deal with *collieries proper* including the usual joint auxiliary services, but excluding ancillary plants (coking plants, patent fuel plants, etc.).

B. *Wages proper* include the following items:

- a) direct wages (direct wages to all colliery workers including supplementary pay for overtime); the wages of colliery workers employed in capital investment projects are also included, and thus the data on wages cannot be used to calculate costs; also included are wages of apprentices and colliery workers employed in the maintenance of workers' houses, items which in some countries are considered as social charges (for instance this accounts for a reduction from about 78 to 70% in social charges in France);
- b) „performance“ bonuses and Christmas bonuses;
- c) wages for days of absence for trade union delegations and payment of miners' delegates;
- d) various payments made in cash, excluding family allowances.

N° 23

worker (underground and surface) in the hard -coal mines (1)

1952

France		Saar		Italy (Sulcis)		Netherlands	
<i>Fr. frs.</i>	%	<i>Fr. frs.</i>	%	<i>Lire</i>	%	<i>Fl.</i>	%
187.88	100.0	198.55	100.0	176.79	100.0	1.638	100.0
	7.8		9.9		7.9		8.4
	17.5		25.4		30.6		26.9
	18.2		12.3		12.4		8.8
269.75	143.5	293.15	147.6	266.72	150.9	2.359	144.1
	1.0		1.5		—		6.8
	18.3		9.9		11.7		8.0
	2.3		4.2		2.8		2.5
	5.3		6.9		—		—
<b>320.21</b>	<b>170.4</b>	<b>337.65</b>	<b>170.1</b>	<b>292.41</b>	<b>165.4</b>	<b>2.643</b>	<b>161.4</b>

## C. Social charges are distributed as follows:

- a) allowances for stand-off days (paid public holidays, statutory holidays with pay, etc.);
- b) social security (insurances: health, disability, pension, unemployment, accidents at work, etc.);
- c) family allowances (including all other direct or indirect family benefits);
- d) cost of labour recruitment and training;
- e) allowances in kind and similar gratuities (concerning free coal and coal at a reduced price, housing, and others);
- f) other social contributions, in particular the social budget of the enterprises, transportation costs and reimbursement of workers' removal expenses;
- g) taxes payable by employers on wages, and reimbursable taxes (only in France and the Saar).

(1) For Belgium, costs of recruitment and training of labour are included in „other social contributions”.

TABLE N° 24

**Average annual income  
per worker in the hard coal mines (1)**

Year 1952

	Cur- rencies	Gross Income	Net-Income		
			Single	married without children	married with 2 children
<i>1) Underground workers</i>					
Germany . . . .	<i>DM</i>	5,658	4,286	4,729	5,102
Belgium . . . .	<i>B. Fr.</i>	87,855	74,865	75,177	84,303
France . . . . .	<i>F. Fr.</i>	544,300	477,550	498,700	627,352
Saar . . . . .	<i>F. Fr.</i>	599,305	531,873	570,322	630,631
Italy (Sulcis) . .	<i>Lire</i>	441,221	423,593	454,793	550,265
Netherlands . . .	<i>Fl.</i>	4,919	3,548	4,035	4,512
<i>2) Surface workers</i>					
Germany . . . .	<i>DM</i>	4,161	3,255	3,611	3,877
Belgium . . . .	<i>B. Fr.</i>	59,519	51,997	52,141	60,883
France . . . . .	<i>F. Fr.</i>	400,400	349,300	362,000	490,652
Saar . . . . .	<i>F. Fr.</i>	387,754	343,895	374,013	431,072
Italy (Sulcis) . .	<i>Lire</i>	422,441	406,029	437,229	532,701
Netherlands . . .	<i>Fl.</i>	3,144	2,448	2,769	3,178

(1) This table, which deals with wages from the point of view of income, must be read in the light of the following definitions and explanations:

- 1) *Annual income of worker* is the income of a worker working every working day with no absence except for holidays and without extra shifts;
- 2) *Gross income* is the sum of wages proper, allowances paid for stand-off days and the value of allowances in kind and similar gratuities;
- 3) *Net income* is the gross income increased by family allowances and decreased by contributions by the worker to social security and taxes and dues payable by the worker on his wages;
- 4) The income figures are expressed in *national currencies*. Any conversion on the basis of official rates into a single currency would lead to misleading comparisons;
- 5) It was only possible to assess roughly the value of the „allowance in kind” described as „housing”. However, this approximation is not such as to change the total amount of annual income to any marked degree.
- 6) The differences between countries with respect to number of days worked and holidays with pay, days actually paid and paid public holidays are shown below:

a) Incomes correspond to the following number of days worked and holidays with pay:

<i>Belgium</i>	<i>France</i>	<i>Saar</i>	<i>Germany</i>	<i>Italy</i>	<i>Netherlands</i>
295.5	303	297.5	304.25	...	304.4

- b) The number of days actually paid (days worked plus holidays with pay excluding public holidays) is:

	<u>Belgium</u>	<u>France</u>	<u>Saar</u>	<u>Germany</u>	<u>Italy</u>	<u>Netherlands</u>
Underground	249.5	270	281.4	281.6	...	280.3
Surface	287.0	287	297.9	295.1	...	289.4

- c) The real income of the average worker cannot be calculated on the basis of the data given under points 1 and 2. In order to compute this income various other benefits must be considered (health, accident, unemployment, benefits, etc.) all the elements of which are not yet known for all Community countries.

- d) The number of holidays with pay is:

<u>Belgium</u>	<u>France</u>	<u>Saar</u>	<u>Germany</u>	<u>Italy</u>	<u>Netherlands</u>
10	2	7	11	16	9

The relevant payments are included in the incomes.

159. It is, of course, clear that statistics on wages in the coal-mining industry depend upon the type of personnel considered, particularly with respect to distribution between underground and surface, age-group, number of apprentices, number of workers who continue to work although they have reached or passed the retirement age, etc.

Thus, the utmost caution is necessary in making comparisons between different countries.

#### IRON AND STEEL INDUSTRY

160. The complete results of the enquiry in this domain will be published in a separate document annexed to the Report. Extracts of these results, which are represented in the following tables, give in national currencies:

1. average hourly earnings per worker by countries;
2. average hourly wage cost per worker, by countries;
3. average annual income per worker (single, married, and married with two children) by countries.

Two major facts must be kept in mind:

- a) In the table on wage costs per hour, two subdivisions have been made:
  - a partial cost made up of definitely established elements determined on a comparable basis;
  - a total cost whose components, supplementary to the partial cost, have not yet been satisfactorily defined and made comparable. Thus, it is not yet possible to compare figures on wage costs per hour on an international basis.
  
- b) The table on annual average income per worker serves only as a general guide. For each country, the gross hourly income per worker was multiplied by the average number of hours worked per worker during the year. To obtain the net income the resultant figure was reduced by the amount of social security charges and taxes payable by the worker, and increased by family allowances.

The annex mentioned above will give the results of the enquiry with respect to:

- net earnings per hour (average, by economic regions); and
- a partial wage cost (average, by economic regions),

as well as explanatory notes, both overall and by countries, on the methods of the enquiry, its scope of application, definitions, etc.

TABLE N° 25

## Average hourly earnings per worker in the iron and steel industry

Year 1952

	Currencies	Gross Wage per Hour <sup>(1)</sup>	Net Wage per Hour <sup>(2)</sup>	Net earnings per Hour <sup>(3)</sup>
Belgium . . . .	<i>B. Fr.</i>	31.18	29.30	32.55
France . . . .	<i>F. Fr.</i>	1,154.59	145.93	159.71
Saar . . . .	<i>F. Fr.</i>	168.47	153.83	169.40
Germany . . . .	<i>DM</i>	1.98	1.81	2.08
Italy . . . .	<i>Lire</i>	228.13	222.56	276.54
Luxembourg . .	<i>B. Fr.</i>	33.71	30.97	36.95
Netherlands . .	<i>Fl.</i>	1.33	1.21	1.38

(<sup>1</sup>) *Gross wage per hour* is the average hourly rate of wages proper, including increases for overtime and various cash bonuses.

(<sup>2</sup>) *Net wage per hour* is the gross wage less social security charges payable by the worker.

(<sup>3</sup>) *Net earnings per hour* are the sum of cash income received during the year, less social security charges payable by the worker, divided by the number of hours of work performed during the year.

TABLE N° 26

## Average wage cost per hour in the iron and steel industry

Year 1952

	Currencies	Gross Wage per Hour <sup>(1)</sup>		Partial Cost per Hour <sup>(2)</sup>		Total Cost per Hour <sup>(3)</sup>	
		Amount	%	Amount	%	Amount	%
		Belgium . . . .	<i>B. Fr.</i>	31.18	100	39.97	128.18
France . . . .	<i>F. Fr.</i>	154.59	100	217.23	140.52	250.06	161.76
Saar . . . .	<i>F. Fr.</i>	168.47	100	235.37	139.74	261.63	155.30
Germany . . . .	<i>DM</i>	1.98	100	2.70	136.26	2.96	149.33
Italy . . . .	<i>Lire</i>	228.13	100	359.62	157.64	399.30	175.03
Luxembourg . .	<i>B. Fr.</i>	33.71	100	46.76	138.74	49.44	146.65
Netherlands . .	<i>Fl.</i>	1.33	100	1.86	140.12	2.08	156.16

(<sup>1</sup>) See preceding table, Note (<sup>1</sup>).

(<sup>2</sup>) The partial cost per hour is the gross wage per hour plus:

- employers' payments to social security organizations, divided by the number of hours worked,
- expenditure on holidays with pay, public holidays, various cash payments, divided by the hours worked.

(<sup>3</sup>) Total cost per hour is the partial cost per hour plus charges relating to labour which are payable by the enterprises, divided by the number of hours worked. These data are merely approximate.

TABLE N° 27

Average annual income  
of workers in the iron and steel industry (1)

Year 1952

	Currencies	Average annual gross income	Average annual net income		
		Single worker	Single worker	Married without children	Married with 2 children
Belgium . . . . .	<i>B. Fr.</i>	78,476	68,730	68,863	78,447
France . . . . .	<i>F. Fr.</i>	399,989	361,642	377,555	506,855
Saar . . . . .	<i>F. Fr.</i>	459,347	401,006	440,009	498,109
Germany . . . . .	<i>DM</i>	5,795	4,467.3	4,501.1	4,603.9
Italy . . . . .	<i>Lire</i>	632,272	601,167	632,367	727,839
Luxembourg . . . . .	<i>B. Fr.</i>	94,477	76,236	80,772	95,040
Netherlands . . . . .	<i>Fl.</i>	3,172	2,495	2,701	3,076

(1) Including family allowances.

### Manpower situation

161. The preparation of a statement on the manpower situation of the Community has now reached a point where it is possible to announce the first results. A systematic comparative study has never been made at the level on which comparable documents now exist for the different countries of the Community. The publication of a special document will supply all interested parties — governments, producers, workers — with the essential features of the available data on manpower: total volume, distribution by regions, structure (by nationality, age, qualification) and replacement of manpower.

162. The High Authority is about to submit the results of this initial work to a limited group of experts who will

decide what practical conclusions may be drawn from the data and who will assess the difficulties to be overcome.

163. The above summary of work in the field of labour problems which brings this general Report to an end, has attempted to show the distance which the High Authority has progressed to date, only 20 months after the creation of the first institutions of a United Europe.