

Community Topics

8

1952-1962
ten years of ECSC

The European Coal & Steel Community



european community
information service

1952 - 1962 **ten years of** **ECSC**

**The European Coal and
Steel Community**

Introduction

The Treaty of Paris, signed on April 18, 1951, was the first concrete step towards the creation of the European Community. It brought together in the European Coal and Steel Community the six countries which, seven years later, were to form the Common Market and Euratom. In this first of the European Communities the Six agreed to place their coal and steel production under the direction of a single European Executive, the High Authority, in which they pooled a limited but real degree of their sovereignty.

The High Authority is at present presided over by Piero Malvestiti (Italian) and has its headquarters in Luxembourg. At the time of going to press, it has one Vice-President Albert Coppé (Belgian) and seven Members: Albert Wehrer (Luxembourg), Paul Finet (Belgian), Karl-Maria Hettlage (German), Roger Reynaud (French), Pierre Lapie (French), Fritz Hellwig (German) and Johannes Lindhorst-Homan (Dutch).

The pooling of European coal and steel production provides the High Authority with a wide-ranging and continuous task. Its object is to ensure the smooth working of the common market for coal and steel, which was launched in 1953 when frontiers between the Six were thrown open for trade in these products – without customs duties, quotas or currency restrictions.

To carry out its task, the High Authority has been granted **powers of action and powers of guidance.**

The High Authority's powers of Community action

Producers : The European Coal and Steel Community (ECSC) ensures orderly competition by guaranteeing conditions of equality in the supply of raw materials and transport, and by prohibiting cartels and combines which could dominate the market.

Consumers : ECSC ensures that consumers have the right to choose their suppliers and carriers freely, irrespective of nationality, and that they are served without discrimination.

Workers : ECSC ensures continuity of employment and better living standards. To those whose work is threatened by a change in market conditions (new production methods, mergers, closures, specialization) it offers opportunities for readaptation (resettlement and retraining) unknown in other industries.

To finance this work the High Authority can draw on the following resources :

1] its own funds, derived from a European levy fixed since July, 1962, at 0.2 per cent of the annual value of production roughly \$0.14 (1s. 0d.) per metric ton of steel and \$0.02 $\frac{2}{3}$ (2½d.) per metric ton of coal. This should yield an annual income of between \$18 and \$20 million, compared with around \$27 – 30 in recent years.

2] funds derived from loans, which are set aside for relending to Community industries.

The High Authority's powers of economic guidance

As it deals with a market economy, the High Authority keeps a constant watch on the economic situation. It provides quarterly forecasts for its industries, and periodically lays down **general objectives** aimed at guiding industrial operations towards the level and lines of production which it considers best adapted to the future outlook.

In granting investment loans it gives priority to projects which are in line with these objectives.

The record to date

The pursuit of these aims and their adaptation to changing circumstances have formed the basis of the High Authority's work for the last ten years, whether carried out by the High Authority alone, or, where necessary, with the agreement of the six governments.

The High Authority's tasks in this important period fall essentially under two heads—its “negative” duties of **eliminating practices which do not conform to the principles of the Community**; and its “positive” duties of **achieving the Community's objectives**: the rational distribution of production, the raising of efficiency, and the improvement of living standards.

Elimination of unfair competition

The “negative” aspect of the High Authority's work has consisted mainly of eliminating the large number of discriminatory practices which distorted competition by giving special treatment to some privileged parties at the expense of the rest. The ultimate aim is to put every enterprise on an equal footing in its relations with suppliers, carriers, clients and workers.

The first few years of the ECSC's existence saw the gradual elimination of:

discrimination introduced by Governments: customs duties, import and export quotas, special aids, subsidies, special tax concessions granted to some industries, and special charges imposed on others;

discrimination in transport rates, which allowed different rates to be charged for carrying similar goods over identical distances, or which gave particular concerns preferential rates

In order to put an end to these practices, the High Authority ruled that transport rates must be published, and must apply to all users irrespective of nationality. For rail transport this aim was quickly achieved. For road and inland water transport, the publication of rates is still meeting opposition in several countries.

inequalities between producers in obtaining raw materials.

One of the most important of these was removed by the establishment of a price compensation fund for imported scrap.

discrimination in selling prices charged to customers.

Since the Treaty came into force, the Community's producers, while remaining free to fix their own prices, have been required to deposit their price schedules with the High Authority. Changes can of course be made in these schedules, but only on condition that firms notify them to the High Authority.

The publication of prices in accordance with a properly regulated and authorized system guarantees a uniform price for all buyers. Flexibility is introduced by the right of alignment, which allows a producer to bring his selling price down from that shown in his schedule to that listed in the schedule of a competitor.

In addition, the ECSC Treaty sets out strict anti-trust rules.

Cartels, agreements between enterprises and concerted practices of all kinds designed to distort competition by sharing out markets, fixing prices or restricting production, are banned in the ECSC.

After ten years this remains one of the most important parts of the High Authority's work. Agreements between enterprises – prohibited in principle by the Treaty – must be registered before they come into operation, otherwise they are illegal.

In the first two years of the Community, 71 registration applications had been submitted by the parties to existing agreements. One of these, the German joint scrap-buying agency, was immediately abolished, and the joint selling agencies for Ruhr and Belgian coal were required to modify their organizations.

At the same time, agreements for specialization to encourage more efficient production, and some small-scale joint-selling agreements which do not result in market control, are allowed to continue in operation.

Between 1953 and 1961, 214 cases were investigated: 27 agreements were authorized and six prohibited, while eight were terminated by the firms themselves. In 118 other cases no further action was taken as it was found that the agreements did not infringe the Treaty.

Mergers which have taken place since the Treaty came into force are subject to authorization by the High Authority, which can veto them if it finds that the new production unit created by the merger would be large enough to determine prices, control production or distribution, or restrict competition in the market. This field is one in which the High Authority must take frequent action, since the enlargement of the market to take in six countries and 170 million people has appreciably increased the optimum size of firms.

During the ten years of its existence, the High Authority has examined more than 150 projected mergers of varying importance. In some of the latest mergers in the steel industry the High Authority has felt obliged to make its authorization dependent on certain conditions. It authorized the Krupp-Rheinhausen link-up, for example, only on condition that it be consulted over future expansion projects of the merged firms. In the case of the Thyssen-Handelsunion merger, it laid down that connections with other groups be severed.

Although the size of concentrations is continually increasing, the High Authority has taken the view that the mergers authorized so far are genuine measures to meet competition, and not powerful concentrations of industrial power aimed at restricting it.

Finally, the High Authority has removed, for qualified coal and steel workers, all employment restrictions based on nationality. Skilled miners and steel workers may now accept offers of employment anywhere in the Community, without being affected by national immigration restrictions.

Speeding up development

The "positive" aspects of the High Authority's work cover the series of decisions, recommendations and opinions through which it provides guidance on production, trade, prices and transport conditions. They also include its contributions in the social field: industrial safety and health, technical training, workers' housing, readaptation of workers, and industrial redevelopment.

1 Production and trade

The High Authority has at its command a wide range of information on the economic situation in the Community which a single concern would find it hard to acquire on its own. It publishes quarterly production and consumption forecasts, and, periodically, its long-term general objectives.

Since 1955 the High Authority has examined all investment projects in the coal and steel industries, which firms have had by law to submit for its opinion. In addition, a detailed investment survey is sent out each year to firms to keep them informed of the main investment trends in the ECSC.

In this way the High Authority shows firms how their individual programs appear in relation to the general trend of development. Its opinions are only advisory and not binding on the firms, but they may be forwarded, on request by the firms, to banks and Governments which may be interested.

Since 1955 more than 600 investment declarations have been received by the High Authority, covering over 1,000 projects of a total value of more than \$7,600 million.

The High Authority can aid such projects with loans or loan guarantees, and in the last ten years it has provided a total of nearly \$508 million for this purpose.

2 Technical improvements

Another way in which ECSC helps to raise efficiency is by allocating part of its funds for research. It does not seek to take over the work of existing research bodies, technical and economic associations, or individual firms. As in its aid to investment, the High Authority's assistance supplements and coordinates existing work - by promoting contracts between research bodies, and in financing research programs which it considers will help achieve greater efficiency and thus improve living standards and working conditions.

3 Lowering Transport costs

For rail transport, the High Authority first abolished discrimination, and then set about bringing down international freight charges within the Community. In 1955 it succeeded in persuading the Community railways to introduce "tapering" international through-rates for all consignments within the Community. This meant the end of increased charges which resulted whenever goods crossed an internal frontier and passed from one national rates system to another.

For example, freight charges on the Ruhr-Lorraine run, which accounted for 41 per cent of the delivered price of coke in 1953, now account for only 25 per cent.

4 Social welfare: readaptation and re-training

The authors of the ECSC Treaty expected the creation of a larger market to result in keener competition between firms. They also knew that some closures, mergers, and specialization and rationalization would be necessary in the industries concerned and might involve a reduction in manpower. They therefore included provisions enabling the High Authority to give financial aid for **the maintenance of workers' earnings** during periods when industry was adapting itself to the new conditions, thus permitting rapid modernization without the workers bearing the brunt of the change.

The precise terms of **readaptation** aid, which aims at providing the worker with training for a new job as well as maintaining his income between jobs, vary slightly from one Community country to another. In general, it can include :

- A tide-over allowance between jobs, available originally for up to one year, but now extended to a maximum of two years: it starts at 90 – 100 per cent of the worker's previous earnings in the initial months, falling gradually over the two-year period.

Making-up of pay to 90 – 100 per cent of the previous wage, should a coal or steel worker take a new job at a lower wage ; this allowance can now also be given for up to two years.

Payment of removal and travel costs for a worker and his family, if a worker has to move from one area to another.

Payment of a re-settlement bonus.

Free training for a new job.

From 1953 to mid-1962 the High Authority approved readaptation schemes involving 130,000 workers – roughly 110,000 of them in the coal industry – and expenditure of \$47 million. Since the High Authority provides only 50 per cent of the total cost of readaptation schemes, with the Government concerned providing an equal amount, the total allotment for readaptation has been \$94 million.

Important as readaptation schemes are to individual workers, they do not provide the answer to the basic problems of reviving areas which have been mainly dependent on mining for their livelihood and for which pit closures could mean economic and social dislocation. In these areas miners have considerable difficulty in finding alternative employment.

The problem of **industrial redevelopment** in such areas has now been taken up on a Community basis by the ECSC, in cooperation with the Common Market and the European Investment Bank.

The High Authority organized an inter-governmental conference on industrial welfare in 1960, and has helped to promote and equip new industries in mining areas before pits are closed. In this way miners can find new employment on the spot immediately they are laid off or after re-training. The High Authority has aided redevelopment in France, where investment loans were granted for the building of an aluminium factory by the Alumetal company, following a decision to close the Champagnac mine in the department of Corrèze and, more recently, in the Liège area in Belgium, where more than \$2 million were loaned for development plans, levelling of sites and the removal of slag-heaps. New industries moving into the area will provide up to 3,500 new jobs. Belgium's main depressed area, the Borinage coalfield, has received a loan of more than \$2.4 million for an aluminium rolling mill which will provide between 300 and 500 new jobs.

Finally, the High Authority has made a substantial contribution to ending the housing shortage for coal and steel workers, many of whom had to travel long distances to work, or lived in slum conditions.

So far its **housing programs** cover roughly 100,000 homes. The first six programs (including two experimental programs aimed at finding better building methods through standardization, and thus raising accommodation standards) comprise over 75,500 homes, costing a total of \$620 million. To this sum the High Authority has contributed \$154 million in the form of direct grants, loans and funds raised.

By June 1, 1962, the balance-sheet of these six programs was 75,517 homes financed, of which 44,993 had been completed, 9,294 were under construction and 21,230 were planned.

A seventh program of roughly 25,000 homes was approved by the Community in July 1962.

The economic situation in the Community after ten years of integration

During the last ten years, in which the principles of the Community were put into practice, two of Europe's basic industries, coal and steel, have undergone radical change under the dual pressure of world economic developments and the new Community conditions of production and trade.

Expansion in steel

With the exception of 1958, expansion in the Community iron and steel industry has continued without a break from 1953 to 1961. Steel production, which stood at 39.6 million metric tons in 1953, rose to 73.3 million metric tons in 1961.

Continued expansion has involved no real difficulties in the supply of raw materials, and has been accompanied by a marked stability of prices. Prices have risen less in the ECSC countries than in the rest of the world (3 per cent in the ECSC, as against 16 per cent in Great Britain and 24 per cent in the United States).

Trade in steel across internal Community frontiers, whose level reflects the effective operation of the common market had already doubled by 1954, and by 1961 was five times as great as in 1952 (10.4 million tons against 2.1 million). The volume of intra-Community trade had reached 20 per cent of total orders placed in the Community by 1961.

At the same time, trade in steel with non-Community countries also expanded, rising from six million metric tons in 1954 to 10.7 million tons in 1960. Since 1958 this trade has been helped by the existence of a reduced and harmonized common external tariff.

The coal crisis

In contrast with the flourishing state of the steel industry, the coal industry's situation has been darkened by the stagnation from which the world markets for coal have been suffering since 1958. After a period of acute energy shortage, which the High Authority was able to ease to some extent by ensuring a fair distribution of production, traditional outlets have contracted during the last four years. The main reason has been increasing competition from other sources of power, notably oil and natural gas.

The crisis has brought a general reorganization of the coal industry which has so far resulted in :

- a reduction of over 25 per cent in the labour force (both underground and surface workers) since 1957, a trend which was particularly marked in 1959, when 63,000 men left the industry, and in 1960, when 55,000 left ;
- a sharp increase in productivity, with the result that the fall in production has been much smaller than the reduction in the labour force ; output per man-shift underground in the Community as a whole rose from 1.4 tons in 1953 to over 2.1 tons in the opening months of 1962.
- the closure of a number of pits and the reallocation of labour to the more productive mines. (Since 1958 a total of 15 mines have been closed in Germany, 57 in Belgium, and nine in France) ;
- a reduction of imports, by the imposition in Germany of an import duty balanced by a duty-free quota, and in Belgium by a ceiling tonnage for all coal entering the country from whatever source. (In 1960 the High Authority isolated the Belgian market by instituting what was in effect a quota system for coal imports into Belgium, and thus limiting competition from German, French and Dutch sources as well as from the rest of the world. It decided in October 1962 that this system had served its purpose and that Belgian coal should be re-integrated in the common market).

The coal market remains very sensitive, however, to developments in the economic situation, and to the pressure of competition from oil, whose own market is affected by over-production.

If the coal crisis is partly a reflection of competition between the different sources of energy, it is also partly the result of the widely divergent measures which various member countries have taken to meet the situation.

Experience has shown that the coal problem can only be solved as part of a general Community policy for energy, including oil, gas, atomic power, and hydro-electric resources. To provide this framework and to ensure a sound base for the Community's future economic expansion, the High Authority, together with the Common Market and Euratom Commissions, drew up initial proposals for coordination of policy for all forms of energy. Proposals for an immediate-action plan and for dealing with sudden emergencies were forwarded to the Council of Ministers in January 1961, and a plan for a common import policy for coal in October 1961.

By 1962 it had become clear to the Community Executives and the member states that, in order to create the effective common market for energy indispensable to the efficient operation of the general Common Market, a definite timetable was necessary. Their proposals for a common policy, with a timetable to ensure its full implementations by 1970, were first examined by the ECSC Council of Ministers in July 1962. They envisage an open market for oil, and support, preferably in the form of subsidies, for coal.

The High Authority has also, in conjunction with the six Governments, made a point of improving the compilation of statistics and other information on the Community's energy position (in particular, its "balance-sheets" for energy) – an essential instrument for the planning of short-term action.

In the history of the Coal and Steel Community since 1951, the Community's steady development stands out in sharp relief through the changing political and economic situation. It is difficult to believe that these results could have been achieved within a reasonable period of time without a body independent of governments and able to base its actions on the general Community interest, while giving due consideration to the national interests involved. The ECSC has such a body in its Executive the High Authority; similar bodies exist in the Commissions of the Common Market and Euratom, though the latter have less direct powers of decision.

Ten years of experience confined to two sectors of the economy have demonstrated both the advantages of the Community system and the limitations of partial integration. It is these limitations that the wider Common Market is intended to overcome.

Community Topics

An occasional series of documents on the current work of the three European Communities.

1. **The Common Market 1960-1** (July 1961) *out of print*
2. **Economic integration and political unity in Europe** by **Walter Hallstein** (August 1961)
3. **A guide to the study of the European Communities** (November 1961) *out of print*
4. **The Common Market and the Law** by **Michel Gaudet** (November 1961)
5. **French Industry and the Common Market** (December 1962)
6. **The right of establishment and the supply of services** (November 1962)
7. **Euratom's second five-year research program 1963-7** (January 1963)
8. **Ten years of ECSC 1952-1962** (January 1963)

Enquiries about these and other publications of the Information Service should be made to :

European Community Information Service, London Office: 23 Chesham Street, SW1

