FOR IMMEDIATE RELEASE

In a memorandum presented to the United States Government today, in connection with negotiations on a United States loan to the European Coal and Steel Community, the High Authority of the Community declared that "as the first working federal institution in Europe," the Community "is at once the embodiment and the test of the federal idea" and that "it must be able to demonstrate to Europeans that it has earned the support of the rest of the free world."

The memorandum describes how the opening of a single market for the basic commodities of coal and steel in a six-nation area covering 160 million consumers "is proving to the peoples of Europe that the abandonment of their national rivalries will bring about a relaxation of tensions, an expansion of economic activity, and a rise in their standard of living."

Since national frontier barriers have been leveled within the single market, the memorandum states, trade in coal and steel among the member countries has substantially increased - by 22% for coal and by 10% for iron ore between 1952 and 1953, while trade in steel in December 1953 was 37% higher than the average for the 16 months before the single market was established. "The competition brought about by the establishment of the single market has caused producers to find outlets in the regions of the Community where the demand is more active (Germany, the Netherlands, Italy) and has forced them to adapt their prices to the conditions of the market." This new competition has accelerated the pace of industrial change, of which one example is the "gradual closing of coal mines with high production costs in the South of France, and reemployment of workers in areas where capacity is expanding."

The memorandum gives instances where the High Authority has used its power "to compel the removal not only of artificial national barriers but also of obstructions to the free play of the market imposed by the operation of cartels, producers' agreements, and excessive concentrations of economic power." Specific cases cited are the dissolution of the national purchasing and distribution agencies for scrap iron, in France, Germany and Italy, and the issuance of a cease and desist order against certain practices of a large coal-selling organization in Southern Germany.

The memorandum goes on to affirm the belief of the Community's founders that "the European economy can be transformed by the forces of a vast single market for coal and steel," but that "to accomplish these aims, it is, at the beginning necessary that priority assistance be given to projects for capital improvements designed to increase productivity and production in the case of primary raw materials." Analysis of the sources of funds in the Community shows that adequate capital cannot be found within it for all the investments needed in the basic coal and steel industries. The shortage of capital has led to high interest rates and an unhealthy emphasis on short-term loans. Further "the present low level of production itself operates to prevent the formation of adequate investment capital. . . . Only if the Community can obtain funds from outside sources to increase production and productivity will it be able to develop its resources in the future to the point where it can fully cover its investment needs."

The establishment of a federal government with the power to levy taxes throughout the single market has created a new and secure borrowing capacity "to contribute to the financing of necessary investment." The tax, at the 1954 rate of 0.9% of the value of coal and steel production brings in about $4 million a month. Its regular collection creates a permanent revenue for the High Authority, guaranteeing the "regular payments of interest and principal" essential to a sound credit transaction.

The memorandum stresses that "the High Authority will administer the funds at its command without seeking to dominate the investment policies of the coal and steel enterprises. . . . The High Authority does not desire - nor, under the Treaty, does it have the power - to direct the investment policies of the borrowing enterprises, which will continue to retain full initiative and complete responsibility in the conception and execution of their projects. . . . The High Authority will assure itself that, in the competitive position of the common market, any loan approved for a project constitutes a sound financial risk that can be amortized in a reasonable period."

Finally, the memorandum expresses the conviction of the High Authority that the funds it obtains can be so administered that they "will gradually bring about a reduction in financing costs and open the way to a revival of European capital markets."

# # #