



EUROPEAN COMMUNITY

FOR COAL AND STEEL

B U L L E T I N

No. 1

INFORMATION SERVICE, HIGH AUTHORITY, LUXEMBOURG.

Jan 1954

BEGINNINGS OF THE EUROPEAN COMMON MARKET.

A year ago, for the first time, a single European executive - the High Authority of the European Coal and Steel Community - began to exercise the powers delegated to it by six states: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. On the 10 February 1953, it abolished for commerce in coal, iron ore and scrap, and on May 1st for trade in steel, the frontiers which divided the industrial heart of the continent into several restricted markets. At the same time it took over responsibility for the working of the "common market" so formed. This new European Community caters for 160 million people, that is to say, for three times as many as there are in Britain, spread over an area four times the size.

Restrictions on the free movement of goods across some 1700

miles of frontier have been abolished. Customs duties have gone. So have quantitative restrictions imposed by governments on the export and import of goods (one example: the French government used to restrict the amount of Lorraine iron ore exported to Bel-

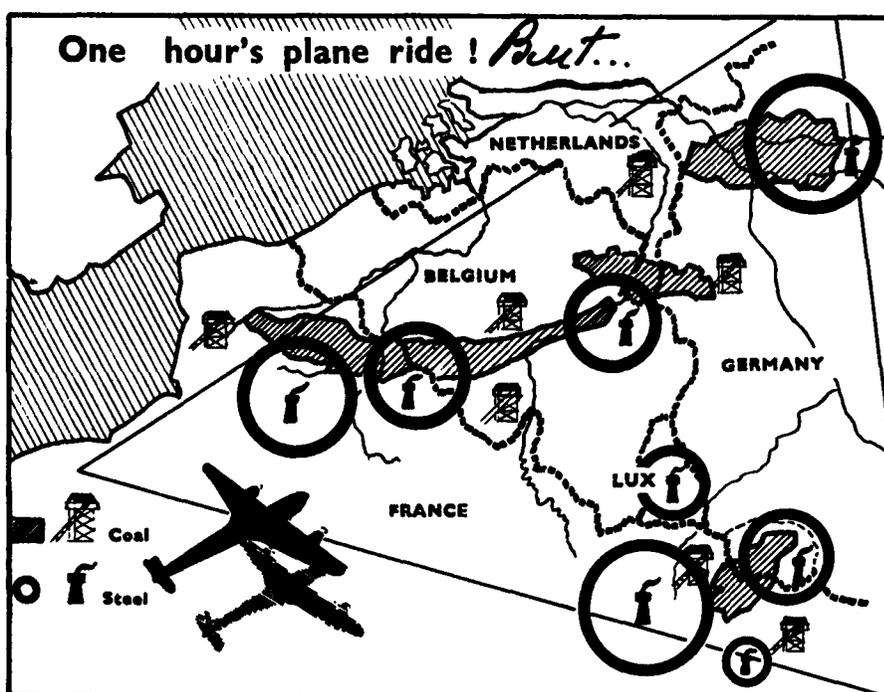
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gium); differential pricing according to the nationality of the consumer (e.g., the Ruhr sold its coal more expensively to non-German than to German buyers); transport discriminations (e.g. the Belgians used to charge higher freight rates to French producers exporting steel through Antwerp than to Belgian ones); and limitations on the allocation of currency for across-frontier commerce. There has been no comparable burning of economic fences since barriers to trade multiplied in Europe after 1914.

INCREASED TRADE Already, across-frontier trade has increased. Some of the increase, as in the case of coal, seems due in part to the extra pressure put upon producers to find new outlets in periods of falling demand. (As a result of this falling demand, coal production during 1953 has fallen about 1 % and steel about 5 % from the record levels of activity of 1951 and 1952). Nevertheless, there is a clear evidence in innovations such as the new sales of Dutch coal in other countries of the Community, in the increased sales of French ore to Belgium, of French steel to Southern Germany and of German steel throughout the Community, that the common mar-

THE HEARTLAND OF THE COMMUNITY



None of the sides of the triangle is more than 250 miles long but in this area 95 percent of the Community's 240 million tons of coal and 75 percent of its 42 million tons of steel are produced.

ket has itself considerably stimulated trade.

Coal: Exchanges between the Community countries have increased by 20% (comparing the first eleven months of 1953 and 1952). More German coal is going to Italy, the Netherlands and Belgium; more Belgian coal to France, the Netherlands and Italy; more French and Saar coal

to Italy and Southern Germany; whilst, for the first time, the Netherlands also are exporting coal, chiefly to Belgium. The result is undoubtedly a more rational distribution of the various sorts of coal according to consumers' precise needs.

Iron Ore: Following the abolition of "quota" limits, French iron ore deliveries to Belgium (the main cross-frontier ore trade in the Community) are up by 20%.

Steel: Despite the decline of activity in steel between May and September, the average level of trade between the Community countries was slightly higher in 1953 than in 1952. The German and French-Saar mills, in particular, have increased their deliveries to other Community countries. German sales rose gradually to 50.000 tons last September, twice the monthly average of 1952. From September to November 1953 alone, following on the ending, in particular, of German transport discriminations, the mills of eastern France and the Saar sold 75% as much steel to Germany as in the whole of 1952. (150.000 as against 200.000 tons).

Many sales have been contracted on the falling steel market

COMMUNITY TRADE GROWS			
EXCHANGES BETWEEN COMMUNITY COUNTRIES (1 000 tons)			
		Coal	Steel
1952	(monthly average)	1 647	237
1953	Jan - Mar (" ")	1 742	282
	Apr - Jun (" ")	1 856	261
	Jul - Sep (" ")	2 042	232
	October	2 144	287
	November	2 134	...

in 1953 which would normally in such a period have been prevented by the closing of national frontiers. Production has thus been maintained at a higher level than would have been possible without the greater choice of outlets provided by the common market.

PRICES Steel prices have fallen on the pre-common market rate, some sales being contracted at a level down to 20 % below it. This is due, first, to the weakening of the market which ended during the autumn. Secondly, many consumers have been able to obtain reduced prices from their traditional suppliers because of the alternative sources of supply now made available by the common market.

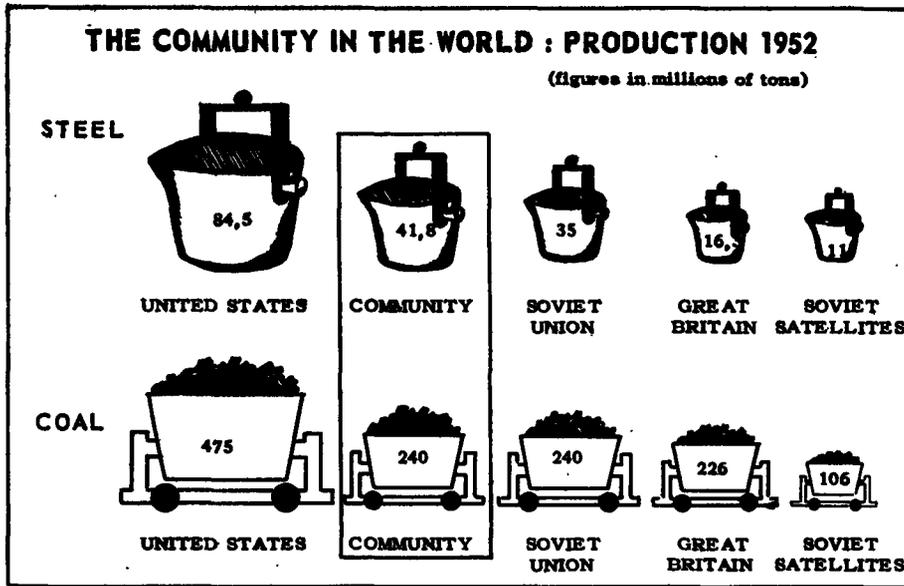
Coal prices have remained steady since the High Authority fixed price ceilings at the outset of the common market, near to the national prices then prevailing. These ceilings have prevented price increases arising out of shortages, notably of coking coal and of anthracite for domestic use. Supplies are now easier, and these price decisions are due for general review before April 1st.

TRANSPORT The elimination of 30 cases of discrimination in transport has brought a saving estimated to be about £ 1 million a year to the industries of the Community.

MARKET POLICY

The trading results of the common market's first months are substantial. Yet in the long run, the most important development may well be the High Authority's introduction of two new policies into European market practice, aiming at genuine price competition; and non-discrimination.

Regulatory price-fixing and discrimination have for many years been joint instruments of national policies by which each European state has sought to protect its own economy and handicap those of its neighbours. Cumulatively, these opposed



national policies have led to the lowered levels of trade and warped market conditions which now hamper European economic progress. (1)

The aim in establishing the common market was to begin to reverse Europe's decline by creating competitive conditions over the widest possible area so that prices should gradually be lowered for the consumer, with a consequent stimulus to higher consumption and production.

Thus, on May 1st, in addition to breaking down frontier barriers, the High Authority freed steel prices from government controls for the first time in thirty years. Henceforth each firm was to fix its own prices. At the same time the High Authority reminded producers that the end of government price-fixing must not be taken as the signal for price-fixing by cartels. (2)

(1) The following figures of each great producing region's share of the world's industrial output at various dates, vividly illustrates Europe's decline.

	1913	1938	1951
Community	36%	20%	14%
UK	17%	11%	9%
USA	40%	31%	41%
USSR	3%	13%	18%

(2) The High Authority's action against cartels and monopolies will be discussed in a later Bulletin.

For the common market to function effectively, however, price competition must be reinforced by non-discrimination. In other words, the producer's conditions of sale (terms of delivery, prices etc) must be the same to all customers for comparable transactions. The main guarantee against discriminations is the duty imposed on producers to publish their price-lists. Each producer can modify his price-list as often as he wishes, but only as long as the changes are published.

MARKET PROBLEMS The elimination of frontier barriers, and the High Authority's policy encouraging producers to compete and preventing discriminations, are entirely new in Europe. Inevitably problems of adaptation have arisen.

It has been found, for instance, that the administrative difficulties and costs of delivering goods across a frontier are still greater than within a country. An example: export and import licences must be automatically accorded by national authorities, who maintain the formality for statistical reasons. But there are sometimes delays which turn a potential sale into a missed opportunity. Another shortcoming of present practice is that though the price-lists of the 340 steel firms of the Community must be clearly drafted for the consumers to compare them when placing their orders, they are in fact sometimes hard to come by and not easily comparable one with another. The High Authority is studying how to iron out these secondary problems.

In a more important way too the common market is still not functioning as a single market. This may be judged from price developments through 1953.

Prices, with exceptions, such as for sheet steel, rapidly fell with falling demand from May to September. But these changes were not reflected in the published price-lists. The producers, used to fixed prices, feared that if they lowered their posted prices, they would not be able to raise them again

on a stronger market. They also discovered that while some consumers insisted on lower prices, others paid the higher published ones.

Once these "black" price-lists distinct from the published ones were applied, big differences between the price levels in different areas, that is to say, discriminations, rapidly developed. The producers lowered their prices for delivery to traditional steel importing regions, sensitive to competition, like the Netherlands, in some cases by as much as 20%. In the areas of large production, chiefly France and Germany which are by custom national preserves, prices fell much less steeply. There, consumers tended to stick to their traditional, that is national, suppliers in order to maintain good relations with them against the day when steel should again be in short supply. The producers for their part,

INSTITUTIONS OF THE COMMUNITY

I - THE HIGH AUTHORITY

The Members

Jean MONNET (France),	President
Franz ETZEL (Germany),	Vice-President
Albert COPPE (Belgium),	Vice-President
Léon DAUM (France)	
Paul FINET (Belgium)	
Enzo GIACCHERO (Italy)	
Heinz POTTHOFF (Germany)	
Dirk SPIERENBURG (Netherlands)	
Albert WEHRER (Luxemburg)	

The members of the High Authority are NOT national representatives, their responsibility being to the Community as a whole. They have been elected for a period of six years.

The High Authority usually meets twice a week. It decides by majority vote. The quorum: 5

The High Authority emits

- Decisions - binding in all their details.
- Recommendations - binding as to aim but not as to the method of obtaining it.
- Opinions - which are advisory.

Before taking most important decisions, the High Authority consults:

- The Consultative Committee ¹.
- The Council of Ministers ¹.

The High Authority reports yearly on its activities to the Common Assembly. ¹

¹ see « Basic Facts of the European Coal and Steel Community ».

to avoid possible retaliatory competition on their "own" markets, preferred, except in marginal cases, not to hunt for orders on each other's "reservations".

In this way, the potential competition arising, for instance, from the relative cheapness in the published prices, of German steel bars compared with French ones, and of French sheet steel compared with German, was only partially realised. Discrimination was still hindering the effectiveness of the common market.

THE RULES To make the producers respond more fully to the new
MODIFIED opportunities of competition on the common market,
it was necessary to ensure that real market prices should be at all times public. Only then could consumers be sure that they would not suffer from discriminations and dare to search for the best terms offered anywhere on the common market. On the other hand, the experience, in the summer period, of rapidly changing prices convinced the High Authority that its rules of price publicity should, for steel, be made more flexible. Steel producers who had to follow the market closely from day to day could not be expected to publish new price lists with every minor change imposed by it.

Therefore, on Jan. 7 1954, the High Authority decided that, for steel, producers' price-lists must be changed only if the real price (calculated over an average of the previous 60 days' sales) exceeds 2 1/2% above or below the published price. Sanctions would be applied to firms overstepping the margin without modifying their price-lists.

The High Authority's officials, making spot checks, have the same powers of looking into accounts in any state as have that country's government tax inspectors. The High Authority can fine firms flouting the regulations, by twice the amount of their takings on their irregular sales for the first offence, and by double that again for the second.

The system now in force is designed to allow firms to adapt themselves to the changing market while preventing discrimination. If experience shows that more changes are required in the market rules, these will be made. The coming months will in any case bring further action - on cartels, on transport, on the elimination of administrative obstacles, etc - to perfect the common market. (3) The aim remains to establish a single market on which producers are induced by the pressure of competition to rationalise, increase and cheapen their production.

- (3) Later Bulletins will deal with other aspects of the Community's activity, such as investments, social policy, association with Great Britain etc.

CALENDAR OF COMING EVENTS

1954 January 14 - 16
(Strasbourg,
Palais d'Europe).

The Common Assembly ¹ is expected to debate investment questions. (The High Authority is opening loan negotiations with the US Government). The High Authority will present the Assembly with an interim Report on the activities of the Community.

January 25 - 26
(Luxembourg),

The Consultative Committee ¹ summoned by High Authority on an exchange of views on general aims (particularly investments), on cartels and on concentrations of industrial power liable to become monopolies.

¹ See • Basic Facts of the European Coal and Steel Community •.