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EUROPEAN PARLIAMENTARY ASSEMBLY

Ordinary Session

Friday, 24th October, 1958, 10 a.m.

The Sitting was opened at 10.05 a.m., M. Robert SCHUMAN, President, in the Chair.

The PRESIDENT announced, in reply to an objection raised yesterday, that Committee Presidents and Rapporteurs have the right to speak before other Assembly members; this rule was applied yesterday. Should this order of priority be maintained? (Rules of Procedure, Article 32, paragraph 2).

This question would be submitted to the Bureau at its next meeting on 4th December.

M. CARBONI said that a precedent could not be established which was against the written law and pointed out that there was no statutory priority for spokesmen on behalf of political groups. If these wished to speak before other members then they should put down their names in time.

The PRESIDENT pointed out that a distinction must be made between texts and tradition. The Bureau would inform the Assembly of its opinion.

M. BERTRAND agreed that it was established custom to allow priority to representatives of political groups. This, however, was not an integral part of the Rules of Procedure, which would have to be modified.

M. DEHOUSSE considered that the Rules of Procedure were a guide more than a formal instruction and that the President should be allowed to use his discretion in deciding the order of speakers.

Resumed Debate on the statement made by
the President of the High Authority

M. CARBONI spoke of questions concerning scrap iron.

The Coal and Steel Pool had been studying this matter since March 1954; at that time financial measures had been taken to ensure regular supplies of scrap iron, stable price levels. There was now a possibility that this system should be abandoned, but he considered that this would have grave consequences. Italy was not the only country to be affected, for other Community countries import substantial quantities of scrap iron. On the 30th November, this equalisation fund would go out of existence. The Community countries would again face difficulties in supply, price fluctuations, particularly in freight charges; this was because the American market had a preponderant influence. A rise in scrap iron prices would entail a general rise in prices within the Six. There should be free movement in the scrap iron market; he deplored the obstacles raised by an interfering bureaucracy. Surely each country was ready to make sacrifices so long as freedom of trade was respected.

This question constituted a European problem, not confined to one country, and concerned not only supply but also price levels. Let not this question prove a stumbling block on the road to political and economic unity.

M. DE VITA considered the problem of general interest. Certain differences in basic attitudes had appeared during this Debate concerning the fundamental purpose of the E.E.C. as a whole and not only the E.C.S.C. Individuals understood each other more easily than governments but it was possible for the economic and social situation of the people to be ignored. History had shown that it was impossible for matters to right themselves without positive action being taken; it was only necessary to look at an economic map of Europe to see that natural resources and man-made wealth were by no means equally distributed. Within each country there were economically backward areas which contrasted with more developed areas.

It was essential to decide upon basic aims in drawing up a common policy.

In the coal crisis, for example, the closing of pits was only an expedient in face of the current economic situation, whereas basic structural reform was necessary. The f.o.b. prices of American, German and Belgian coal arriving at the ports on the Thyrenian Sea revealed the disadvantageous position of the European coal industry. It was essential to carry through plans for rationalisation so that it could compete with the American coal industry and with fuel oil.

Had the Assembly Committees been able to examine the Reports of the Executive particularly concerning the Free Trade Area, more light would have been thrown on the necessity to coordinate the work of the Coal and Steel Community with that of the Common Market. It was essential to draw up a policy which covered all aspects.

M. VANRULLEN said that the High Authority had in the past merited praise, but now, during a period of recession, it remains to be seen whether member countries could show the same cooperative spirit. Was it possible to put in effect a full employment policy at the same time as allowing free bargaining and freedom in import contracts. The High Authority did not always intervene with sufficient force for it did not indeed possess sufficiently broadly based terms of reference. After a period when the accent had been on stable employment, present over-production necessitated

a slackening in recruitment. It was difficult to recruit miners for underground work and the present situation could have grave consequences later. The High Authority had previously stated that imports must be considered a permanent factor in the economic system and it had even been suggested that a fleet for carrying coal should be organized. The Suez Crisis had created an atmosphere of panic, which had led to long term import contracts as a guarantee. The current situation was quite different; **Belgium** and Western Germany were now the most affected by the crisis, as a result of allowing over-importation.

Present measures proposed by the High Authority could only alleviate the situation, and he considered it necessary to limit imports, without necessarily cutting them off abruptly. However, such action was incompatible with the free trade principles written into the Treaty.

Certain countries had kept a close watch on production and on imports and had avoided the worse effects of the crisis; their example should be followed in the interests of the whole Community.

M. TEITGEN said that for five years the High Authority had pleaded the terms of the Treaty, as a reason for its action, whenever the Assembly demanded that certain measures should be taken. Today it had without any doubt violated the Treaty particularly by allowing that certain reductions to go unpublished, contrary to Article 60. He did not reproach the High Authority for this, in that circumstances necessitated such measures. The High Authority would justify its action by referring to the principle of legitimate action which did not accord with the terms of the Treaty; but this implied that positive results would be produced.

He would prefer that each member of the High Authority should be able to state his opinion personally concerning not whether mistakes had been made during a trial period, but whether coal, like agriculture, did not come within the terms of conventional liberalism in trade. The High Authority continued to maintain that coal and steel did in fact come within the same terms.

The High Authority ought to admit that it was not possible to draw up and carry out a common policy for production within a customs union without at the same time laying down rules for imports.

He considered that although the High Authority had appeared to be defending a European Coal and Steel Community from 1950 to 1952, in fact it was a European Community of American coal.

The High Authority had not carried out its duty in the matter of controlling imports. Either it had insufficient means or else the Treaty should be revised. There was some hesitation about this for it would imply aligning the E.C.S.C. Treaty on those of the other two Communities; but the E.C.S.C. could not carry out its basic aims by a series of compromises, silence and half-measures. If matters went on as at present, its Executive would lose authority and be deprived of its powers.

He called on the High Authority to recommend the revision of the Treaty.

M. NEDERHORST spoke on the social aspect of the coal problem and on long-term measures.

He considered M. FINET'S statement of great significance, expressing as it did a "cri du coeur". Too often in the past the High Authority had maintained that measures called for by the Assembly were not allowed by the Treaty. But yesterday the High Authority had not hesitated to denounce timid reservations expressed by national governments and the Council of Ministers. It had placed the responsibility where it lay and appealed for support from the Assembly. This new attitude on the part of the High Authority would give Assembly members the chance to support its case in their respective parliaments, to stress the responsibility of the governments and to demand an explanation of their policy.

The Socialist Group did not agree with everything done by the High Authority, which had not been clear in its explanation concerning the responsibility of coal-producing firms within the Community. Imports of American coal were at too high a level and domestic production had also risen too high. Documents published by the High Authority showed that despite the existence of cartels in coal production, present necessities had not been taken into account.

He asked the High Authority whether the problem of providing alternative employment had achieved what it was meant to. The High Authority should study this question with care at their Spring meeting.

It was to be hoped that the High Authority was now launched in a new period of development, and it could rest assured that the Assembly would support positive action.

He agreed with M. TEITGEN in calling upon the High Authority to admit that the Treaty did not meet all needs, insofar as it prevented the regulation of imports. Why had M. TEITGEN not also asked whether the High Authority was competent to control production? As long as it could not exert close control over both production and imports, workers threatened with unemployment could not have confidence in the new institutions.

He did not agree with M. FINET that to set aside for stock financing 6 to 8 million points from the Industrial Readaptation Fund would be a wise measure. Seeing that the High Authority advocated closing mines which were not economically viable, at a faster rate than before, such decisions could not be accepted unless the Readaptation Fund was fully capable of providing all the necessary financial assistance, for its original purpose. It might be necessary to raise contributions towards the Readaptation Fund, for in Belgium particularly it could play a large part. The High Authority and the Governments should act together to a greater degree than before.

Up to the present the High Authority had decided its policy according to the conviction that there would be a shortage of sources of energy within 20 years. It now appeared that petrol stocks were higher than had been expected, that natural gas existed in larger quantities and that the oil chemical industry was strongly developed. The High Authority ought to state whether its coal policy should be revised. The Common Market's Commission should express its opinion on this also.

M. BURGBACHER, speaking personally, said that it was not as yet possible to determine all the reasons for the present coal crisis. This being so, it was essential to enforce short-term measures, and he was gratified that this the High Authority was prepared to do.

Consumption of primary sources of energy might drop, while energy developed after intermediate industrial processes might increase. On the other hand it was possible that the **current recession was only transient.**

In either case, it appeared that the Treaty should be modified and it was for the Assembly to propose in what way this should be done.

Discrimination was developing between the national coal industries, and if this were to continue without check fair competition would prove impossible.

At a time of shortage, measures had been taken to ensure an equitable distribution of coal; at the present time of over-production, a similar attitude of cooperation must be developed. Further study should be given to comparative coal prices of imported coal, of Community coal and of oil products. In this way, it would be seen that insufficient had been done to ensure fair competition according to the spirit of the Treaty.

Why should the price of fuel oil be lower than that of the primary product? In order to use subsidiary coal products, Germany had developed the gas industry and distributed gas over wide areas; this subsidiary product sold at a very low price. Could this be considered dumping? Where current prices were lower than cost prices, was not this also a case of dumping? It was such activities that contributed towards limiting national coal production. Fiscal policy also played a part in distorting competition.

He pointed out that coal from the Ruhr was the cheapest in the Community. This coal was produced by private enterprise, whereas in France, where the coal industry had been nationalised, coal was the most expensive. Four large coal mines in the Ruhr, producing 30% of total German coal output, had integrated their activities with the oil industry and the gas companies. It should be noted that these enterprises were not affected by over-production. He therefore advocated the concentration of fuel companies and a uniform legislation for the exploitation of sources of energy as a whole, and their distribution.

It was essential to bear in mind the position of workers, as to ensure that all mines and coal-producing firms put into effect a long-term policy to alleviate the present grave situation.

He agreed with M. DEIST in calling for a common fuel policy, and for particular stress to be laid on investments. But M. DEIST is a Socialist, and M. BURGBACHER, as a Christian Democrat, could not agree that nationalisation was the answer. In the past, nationalisation had been called for profits, and now it seemed rather a case of advocating the nationalisation of deficits.

The coal industry must be rationalised and modernised and for this reason what could not be saved must go by the board.

He supported the measures proposed by the High Authority.

M. DEHOUSSE, after pointing out that M. LEEMANS had tabled a draft Resolution (Doc. 41) on behalf of the Christian Democrat Group, submitted the six Amendments on behalf of the Socialist Group. He regretted that the Socialist Group had not been able to draw up a common draft Resolution with the Christian Democrat Group.

The PRESIDENT agreed that they would have to be sent back to committee unless in the meantime the proposers of the Resolution and the Amendments could come to an agreement.

M. DEIST considered that M. BURGBACHER had misunderstood his previous statement concerning the nationalisation of losses in the German coal industry. For some time these losses had in fact been nationalised by means of subsidies from the State. He and his colleagues proposed to nationalise, not losses, but the whole of the coal industry. He would be most gratified if M. BURGBACHER and his Christian Democrat colleagues would agree to this proposal.

M. BERTRAND stated that the Christian Democrat Group could not define its attitude on the Amendments tabled by M. DEHOUSSE, for they had been neither translated nor distributed. The texts should be referred back to the Committee on Trade within the Community, though it was to be regretted that this would prevent a vote being taken today.

At all events, the High Authority should be urged to continue its efforts towards gaining the approval of the Council of Ministers for its proposals, so that the first measures could be set on foot.

M. DEHOUSSE pointed out that the Socialist Group had been unable to examine the draft Resolution tabled yesterday by M. LEEMANS until this morning.

The PRESIDENT agreed that it was not materially possible to vote today on the draft Resolution.

M. KORTHALS nevertheless stressed that the High Authority should do its utmost to put the first measures into effect without delay.

M. KAPTEIJN pointed out that draft Resolutions were not usually tabled until the end of a Debate. He regretted that the draft Resolution did not take sufficient account of arguments put forward by M. TEITGEN.

M. DEIST recommended that the texts should be referred not only to the Committee on Trade Within The Community, but also to the Committee on Long-Term Economic Policy and to the Committee on Fuel Policy.

M. MARGUE stressed that although it was now impossible to vote the Resolution, as the Session was so short, yet the High Authority and the Council of Ministers should pay close attention to the arguments put forward during the Debate.

Replies from High Authority Members

M. FINET, President of the High Authority, replied to the Debate. Many political economic^{and}/philosophical arguments had been put forward, and four members of the High Authority would reply.

M. SPIERENBURG agreed with M. KORTHALS, Rapporteur, that the emergency measures taken were not sufficiently broad in scope; but these measures would be followed by decisions on a long-term coal policy. He replied to questions put concerning the commercial policy of the High Authority, which had been accused of acting too late. In 1956, the Common Assembly had held a Debate at a time of shortage, and consumers had been given a free rein in buying coal from the United States. The High Authority had pointed out that it had no intention of putting obstacles in the way of this import policy. Coal imports were not to be deprecated in themselves, but it was perhaps possible that

large scale consumers had not correctly judged the situation. The Belgian Government had first freed trade in coal and had then put fresh restrictions on it. In 1957, only Belgium was in difficulty as modernisation measures had not yet produced results. Last April the High Authority had proposed the setting up of a stock financing system. These proposals were not adopted by the Council of Ministers, and it was only during the last few months, as the prices worsened, that the Governments became disturbed, and public opinion also. In seeking a solution it was obviously difficult to take into account all the different interests, of the producing states on the one hand and of the importing states on the other.

He told M. KORTHALS that on 3rd November, within the Council of Ministers, the Belgian Minister would describe the first part of the Pit-closing Programme, which would then come into force.

He replied to M. DEIST, concerning pits which were not economically viable. He had already given answers in July, in the absence of M. DEIST. He considered that a plan for modernisation was necessary but that it must be remembered that competition played an important part in the solution of problems affecting these mines. He referred to the Belgian coal industry as an example. It should also be noted that the measures taken in Belgium and in Germany prohibiting new import contracts for American coal,

would not have an immediate effect.

The United States understood the position and it would be hoped that measures towards cancelling import contracts with the United States, or of spreading them over a longer period, would have an effect. Next year imports into Belgium would have dropped considerably.

In reply to M. TEITGEN he stated that Articles 71 and 74 of the Treaty laid down conditions for mutual assistance between the countries of the Community and measures to protect the Community in time of crisis. The High Authority therefore was competent to decide on imports.

If, however, France, for example, has the right to withdraw from certain commitments in regard to GATT and O.E.E.C., it was not true that other countries had the right to restrict imports.

He agreed that the ATIC company had set a good example, but had also made certain mistakes at a time of shortage. Holland, which had a similar organization, had not taken the same action, yet the unemployment level had not risen. This proved that the same results could be attained by a more liberal policy based on reasoned moderation.

In Belgium it appeared that trade had been freed too rapidly; in Germany imports had reached too high a level. These facts constituted arguments in favour of a coordinated commercial policy, the importance of which he would stress.

He cited the United Kingdom, which was also going through a period of increased coal stocks, although production and imports were strictly planned in that country. The High Authority did not necessarily use this as an argument. It would however stress that it was only through coordinating national policies on every level that an efficient policy common to all the Six countries could be put into effect.

M. Franz BLUECHER, member of the High Authority, did not agree that the High Authority was suddenly coming out of a period of inactivity, for it had taken long-term measures since February. In March the Governments had been requested, according to Article 57 of the Treaty, to provide the adequate information necessary in order to establish means of reducing stocks.

He was surprised at the suggestion made by M. DEIST, concerning the possibility of absorbing stocks by the German railways. He would however examine all proposals on this matter.

He recognised that the High Authority had not received sufficient precise information concerning long-term import contracts and freight charges contracts. Ignorance of the true state of affairs in this field was one of the underlying causes of the present situation. Accurate and complete statistical information was essential for carrying out an efficient coal policy.

To this end, legislation should be enforced in certain countries. The High Authority could not intervene in favour of spreading out long-term import contracts unless in full possession of the facts.

In reply to M. NEDERHORST, he said that the High Authority had closely studied the question of providing alternative employment in the Ruhr, and would inform the Assembly of its conclusions at a later date. It must be remembered that there were immense differences in needs for different types of coal.

A detailed reply would be made to the written question put by M. LAPIE, concerning the attitude of the High Authority over the fact that price levels in the Ruhr had not been made public. At this moment the High Authority could say that it had the legal right to take the decisions which had been made and that, having been informed of the situation only in September, it considered it in the general interest not to delay a decision.

M. COPPE, Vice-President of the High Authority, was particularly concerned with the problem of fuel policy. The High Authority could not act with complete freedom for, it could only make proposals to the Governments. He had often stressed Article 4 concerning the extent to which the High Authority could enforce a fuel policy. How was the High Authority to act in this matter when the E.E.C.

Commission had not been called upon to draw up a common commercial policy? The Joint Committee had considered the proposals made by the High Authority, which would submit to the Assembly the relevant documents as soon as possible.

Obviously, **the market was not as free** as it should be.

In one particular case, the High Authority had acted firmly, that of competition between coal and fuel oil, where higher taxes were imposed on coal in Germany. This question had been referred to the Council of Ministers. Yet it should not be thought that market conditions could change rapidly.

Fuel oil was not the only factor in the present crisis.

It could not be said either that Belgium was right in increasing its production merely because this was the policy of the High Authority. Production should be increased, but this should be done by investments in those mines which were still economically run. There was no question of maintaining mines which were not an economic proposition.

Trends in the consumption of different forms of energy were at present being studied, as were also the fuel policies of Member States, and possible future development. The High Authority was today asked to alter its coal policy but its policy up to this time should be more closely studied. He declared himself in favour of a system of equalising tariffs as a means of alleviating the present situation.

He cited Germany, which exports to other Community countries 10 million tons of which 3 million go to Italy. This country suddenly found itself facing the competition of American coal, at present cheaper by \$3 a ton. The position of the Ruhr coal industry was suddenly undermined and at the present time 80% of imports into Italy came from the United States. In this case, fluctuations in freight charges had had an effect and European production, however well organized, could do nothing in these circumstances.

He recommended greater flexibility within the Community.

M. GIACCHERO, Member of the High Authority, thanked M. CARBONI for having supported the High Authority in the question it had raised before the Council of Ministers. The High Authority must agree to any system decided upon unanimously by the Special Council of Ministers. He agreed with M. CARBONI that it was not possible to prophesy concerning the policy of the Special Council for going beyond the transitional phase.

He hopes that the effects on the economy of the Council of Ministers' policy would be supported by all to the same extent.

In reply to M. NEDERHORST, he said that the High Authority had not decided upon setting aside part of the Industrial Readaptation Fund with any great willingness. He reassured

him that this decision would in no way affect the capacity of the Fund to subsidise industrial readaptation. There was no difficulty here.

Contacts had been made with the Common Market Commission and the Investments Bank concerning certain cases where readaptation was necessary.

M. FINET, President of the High Authority, was gratified that the Assembly had not engaged in polemics. Over the past five years, the High Authority had carried out the provisions of the Treaty. It was now said that the Treaty was incapable of providing for the present situation and that the High Authority should have proposed its modification. Last June, it had presented a Report on this question and it was the Assembly which had voted a Resolution requesting the High Authority to act with extreme caution on this matter. The first term of the High Authority would elapse on 10th February 1959. A Report would be published before then and it was certain that this document would be far more political than technical. It would be a form of testament of the outgoing High Authority. But the individual opinions of its members would not find expression therein, for it was a corporate body.

He outlined basic aims of coal policy for the High Authority; to ensure security of supply, in the best conditions; and to safeguard stability of production and employment. He considered that the present crisis was mainly one of current economic circumstances, with certain underlying structural causes. Present stocks resulted only from a drop in trading levels. It was possible to accuse the High Authority of not having acted promptly enough. It had shown itself optimistic, in the conviction that coal would be essential as a source of energy for many years to come, and that therefore imports should not be limited. The High Authority was not alone in being optimistic. M. DEIST himself had made a most optimistic speech before the Common Assembly in November 1956.

It was not now a question of revising established coal policy, but of deciding measures to alleviate the situation which, it was hoped, was only temporary, resulting from present trading conditions. The High Authority could perhaps be blamed, as could Governments and the Council of Ministers but the essential was to avoid mistakes in the future.

The High Authority must consider the matter as a whole in dealing with coal and steel, and take into account all possible information. It must propose measures to ensure efficient coal and steel production and to overcome the risks of a crisis resulting from economic circumstances at a given time. When it had shown itself capable of ensuring

this, then would be the time to apportion blame, and responsibility. If it were true to say that at the moment countries were tending to act in their own interest, the High Authority must denounce such action, which undermined European cooperation.

It was to be regretted that the Assembly could not state its position clearly to the High Authority, which would meet the Council of Ministers on 3rd November; the High Authority would have been glad to be able to rely on a Resolution voted by the Assembly.

The PRESIDENT agreed with this last remark, and announced that the draft Resolutions have been referred to the competent Commissions. They will be voted next December.

The Assembly stood as the President thanked those who had worked with this Session. It was to be hoped that these efforts would prove their value.

The next Session would open on the 15th December.

The Committee of Presidents would meet on the 4th December.

The Session was declared closed until the 15th December.

The Sitting rose at 1.45 p.m.