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SUMMARY OF THE HIGH AUTHORITY'S POLICY REPORT

In accordance with the undertakings it gave in June 1964 at the European Parliament's debate on the Twelfth General Report of E.C.S.C., the High Authority is today submitting a policy report drawn up with two ends in view :

- (a) now that the member States have decided to proceed with the merger of the Executives, and subsequently of the Communities, it is felt to be desirable to cast up the results obtained on the basis of the Treaty establishing the European Coal and Steel Community, as a contribution to the work of preparing the ultimate amalgamation of the three Treaties;
- (b) since the economic and social problems facing the Community will remain no matter what institutional changes are made or when, it is necessary to sketch in broad outline the action required to deal with them.

The first part of the report is an attempt to meet the Parliament's request for an assessment of the organizational powers of the Community Institutions and of the Community armoury and machinery on the economic and social side. It examines these in the light of E.C.S.C. experience, dealing first with the organizational structure of this oldest of the European Communities, then with the salient features of the Treaty of Paris as compared with the Treaties of Rome, and lastly with the results of the application of its particular provisions in the economic and social spheres.

The second part outlines the measures needing to be taken in the coal and steel sectors. The impending merger is not a reason for the policymakers in the Communities to back-pedal, or to "wait and see". The only possible course for the E.C.S.C. Executive is accordingly to press on regardless, acting in line with the requirements of the sectors in its charge.

The future single Community to retain the present institutional basis

Part I of the High Authority's report deals with the institutional structure of E.C.S.C., emphasizing the vital role of the European Parliament. "Only provided the Parliament has the ability to act, on the basis of definite powers, can there be said to be genuine democratic control," it states. "The furtherance of the Community cause cannot be confined to mere exchanges and discussions; it cannot, therefore, sidestep the question of Parliamentary powers." In this connection the High Authority recalls that the E.C.S.C. Treaty (Article 95, 3-4) makes any "minor revision" of its terms subject to Parliamentary endorsement by a qualified majority, and moreover that in respect of E.C.S.C. the Parliament has the rudiments of budgeting power, in that it has a voice, through its President, in the validation of the administrative budget estimates by the Committee of the Presidents of the four Community Institutions. As regards the E.C.S.C. levy, it has become institutional practice to go beyond the actual requirements of the Treaty : for years the High Authority has made it its custom to consult with all the Parliamentary Committees involved before fixing the rate of the levy.

To safeguard these Parliamentary legislative and budgeting powers, the High Authority has not failed, in the course of the discussions on the merger of the Executives, to emphasize that to scrap such power as the Parliament has to influence budgeting would be a retrograde step in comparison with the present arrangement and

with most opinion on the subject. The same with the co-option of High Authority Members : Under the E.C.S.C. Treaty this is subject to Parliamentary approval, but under the projected merger the co-option system would go, and this bond between Parliament and Executive with it.

The report further stresses the importance of other Community Institutions - the Court of Justice of the Communities, the Special Council of Ministers, the Consultative Committee - and concludes that the future single Community will doubtless be organized on the same institutional basis as E.C.S.C. has been from its inception.

No fundamental clash between sector-by-sector and comprehensive integration

Coming with twelve years experience to the question of the relations between partial and general integration, the High Authority notes that the difference between sectoral and global integration is less radical than might appear at first sight, and that it would therefore be mistaken to suppose them irreconcilable.

It is the High Authority's conclusion that the points of conflict between the three European Treaties are at all events not such as to preclude a constructive synthesis combining the more valuable elements from each.

For economic and social integration to proceed at all it is necessary to frame, within one overall policy, suitable policies for individual sectors, mutually co-ordinated of course but each tailored to the specific requirements of the sector concerned. The E.E.C. Treaty, incidentally, contains for example a special section on common transport policy, and another on agriculture.

The real points at issue, in the High Authority's view, are sector delimitation and sectoral, as against overall, rules.

The projected single Treaty can thus not have as its aim to jettison the sectoral approach : on the contrary, it should reinforce it by providing the economic and social armoury needed to enable policy to progress on all fronts simultaneously, taking in as it goes along those elements at present found only in embryo in the European Treaties, such as fiscal and monetary policy.

The report devotes a section to comparing and contrasting the Treaties, in which it acknowledges that the E.C.S.C. Treaty is more a corpus of rules, unlike the E.E.C. Treaty which is in the nature of a skeleton programme. This, however, the High Authority considers, is an over-simplification : fuller examination shows that a blend of both is always present. Large portions of the E.E.C. Treaty are on the "rules" model, such as the provisions concerning the dismantling of duties and quotas and the progressive establishment of the common external tariff; while others do relate mainly to principles and to the procedure for their implementation, this is not necessarily because the negotiators regarded this as the best approach, but in many cases because they had not been able to agree during the negotiations on more detailed provisions. Conversely, substantial sections of the E.C.S.C. Treaty lay down only principles and procedures. It is not therefore a matter of fundamental conflict between two systems, only of a difference on practical application.

Hence where the implementation of the E.C.S.C. Treaty has already led to the fixing of detailed rules the end result may well work out very similar to the E.C.S.C. arrangements, as witness, for instance, the regulations on cartels.

There can thus be no question that a codified Treaty is less appropriate in itself than a skeleton Treaty, or vice versa. A skeleton Treaty is effective only in so far as it leads on to the drawing-up of rules : the rules alone define the true content of the system.

The same is true with regard to supranationality -- that is, the powers vested in the Executive. The High Authority's powers stem direct from the Treaty : on the other hand, the implementation of the E.E.C. Treaty may result in a substantial extension of the powers of the Commission. This will depend on what the relevant Regulations and Decisions have to say on the subject.

There is, however, one major difference between the European Treaties - the much greater flexibility of the E.E.C. Treaty due to the abundant scope allowed for subsequent adjustments to E.E.C. arrangements. The E.C.S.C. Treaty in many cases defines very strictly the way in which the High Authority is to exercise its powers, leaving the latter very little elbow-room. Thus any appreciable alteration to the substance of the E.C.S.C. arrangements requires ratification by the Parliaments of the six member States: obviously this procedure will not be lightly resorted to for partial and even minor amendments.

The High Authority's conclusion from the foregoing is that the amalgamated Treaty must not simply be modelled on one of the existing three: it must be a synthesis of experience to date, supplementing, improving and omitting as necessary.

Additional means of action required to institute a Community industrial policy

In a section reviewing in the light of experience the means of action open to E.C.S.C., the report states that additional facilities will be needed to enable a Community industrial policy, incorporating policy on energy and on iron and steel, to be adopted following the merger of the Communities.

The Community must be able to play its full role, establishing the preconditions for the modernization and regular expansion of production throughout the Community. It should be noted that the E.C.S.C. and Euratom Treaties, though dealing only with specified basic sectors, explicitly aim at the launching of an industrial policy designed to stimulate economic expansion. The E.E.C. Treaty contains hardly any specific provisions concerning industrial development.

The E.E.C. Commission recently embarked on preparations for formulating a medium-term economic policy, which will doubtless contain many constituents for an industrial policy. Nevertheless, with no specific Treaty provision for the requisite machinery and powers, such a policy will perforce have to rely principally on the Governments' voluntarily co-ordinating their activities.

Here too, then, the Treaties are not basically in conflict, but rather mutually complementary.

The High Authority lays special stress on the E.C.S.C. Treaty's potentialities in regard to the framing of a Community industrial policy, and mentions research policy as an example : at present a research policy backed by a special budget is possible only in the sectors of nuclear energy and of coal and steel.

Similarly, the report mentions the High Authority's General Objectives, which furnish a basis for long-term planning of production and capacity expansion. In line with these General Objectives, the High Authority issues "opinions" on investment projects, and assists some of them with long-term loans. High Authority industrial loans granted over the past ten years total the enormous sum of five hundred million dollar units of account (which represents, however, a bare 5% of the volume of capital expenditure during this period). Arrangements of this kind could certainly only be of the utmost value to a merged Community.

One other very important feature of the Treaty of Paris is that under the E.C.S.C. system the Community rules apply direct to the enterprises. The fact that the rules and their application are thus indissociable is vital to the conversion of the separate national markets into a genuine Community market : it was, for instance,

instrumental in bringing about that market transparency which is in its turn to help eliminate all forms of discrimination.

Again, the insistence on prior authorization of cartels and concentrations has enabled competition to operate normally in highly oligopolistic sectors, while at the same time allowing enterprises to change in size, as they must, in order to keep pace with the growth of the market and the march of technical progress. The High Authority maintains that at the merger of the Treaties the disparities between their respective rules of competition should be ironed out; in addition, some of these rules require amendment, and in not a few cases relaxation.

In the matter of aids and subsidies, the E.C.S.C. Treaty is too rigid: the contingency of a structural decline in an industry was not foreseen, and insufficient scope was allowed for an area development or redevelopment policy.

The Treaty's most original innovation : the readaptation/redevelopment system

The E.C.S.C. Treaty was focused in particular on one fundamental requirement of the modern economy - that its basic components should be all the time in process of change. The object was to ensure that overall economic betterment should not involve social hardship for particular sections of the population or for particular areas. The Treaty empowers the High Authority to help finance the establishment of new economic activities where these offer alternative employment for redundant miners or steelworkers. Through its policy of "readaptation" (tiding over and retraining individual workers) and redevelopment (of areas in economic decline), the High Authority has been able to play a notable part in the tackling of various regional problems.

The number of applications for assistance with redevelopment projects being scrutinized by E.C.S.C. is growing all the time. It may be added that seldom has a new departure in economic and social policy excited so wide an interest. The idea has been taken up by legislators in several other European countries and in America.

The High Authority feels that upon the merger of the Communities an effective industrial policy should incorporate, and go on from the experience thus gained.

Clearly, no such policy would be possible without a sound financial basis. For this reason, financial autonomy is one of the cornerstones of the whole E.C.S.C. fabric. As regards cost, the E.C.S.C. levy at present stands at one-fifth of one per cent of the value of production. But as regards policy, it is the bulwark of the Community's independent operation. The future single Community will require a similar financial basis.

ACTION PROGRAMME

As a preliminary to the following sketch of the Community measures the High Authority considers will need to be taken in the coal and steel sectors, it is recalled that both are at present in the midst of a process of swift and sweeping change requiring them to adjust, reorganize and modernize.

For the necessary alterations to go through smoothly, it is vital to maintain a climate of stability (duly leavened by competition), while at the same time promoting the change-over to the new organizational structures without which the basic industries would be unable to play their proper part in overall expansion.

In the case of coal, the erosion of its markets by other fuels has been in progress since 1957. The position of the E.C.S.C. coalfields is one of precarious balance preserved only thanks to a variety of special arrangements instituted by the authorities, and the great question is, what capacity should be maintained, for reasons either of area policy or of security of supply?

On the steel side, total production has doubled in ten years, but major changes have been developing as regards access to raw materials, location of E.C.S.C. plants, production techniques and patterns, and competition in the world market.

The General Objectives and the structural changes in the Common Market

This year the High Authority plans to take the step of issuing General Objectives for coal : consultations with experts representing the producers, workers and consumers and the Governments are to begin in the near future. In this formidable undertaking, it will be guided by the broad outline for a European energy policy laid down in the inter-Government Protocol of April 21, 1964, and by the indications therein given as to the main means (including more especially subsidization) to be used in pursuing a policy of co-ordination.

The High Authority will devote particular attention to the regional impact of the rationalizations and adjustments needed in the coalmining industry, endeavouring both to forecast what form it will take and to make appropriate provision for coping with it.

Regarding steel also, the General Objectives for 1970 are to be issued this year; in these the High Authority will deal in particular with relations between economic growth and the business level in the steel sector, and with comparative production and pricing conditions in third countries, in order to afford a fuller picture of competitive conditions in the world markets.

External relations and commercial policy

With the whole future of the coal and steel industries involved, external relations and commercial policy are having to be given very much greater prominence today than was provided for in the Treaty of Paris.

Closer relations will need to be established with the other parts of the world trading in Treaty products, in order to work towards some degree of harmonization of competitive conditions in international trade.

As regards the emergent countries, of which quite a number are among the Community industries' suppliers of raw materials, and some are contemplating building up iron and steel plants of their own, the High Authority is anxious to settle with them how conflicts of interests can be avoided or eliminated.

In addition, the High Authority intends to pursue its efforts to equip E.C.S.C. to some extent with a common commercial policy. Steps already taken in the right direction include the co-ordination of import policies in respect of pig-iron and steel from the East and the charging of practically the same duties by all member countries on imports of steel. The aim must now be, through the Kennedy talks, to convert this latter arrangement into a single unified tariff. The High Authority will act in the negotiations as spokesman for the Governments, its purpose being to bring the major producer and/or exporter countries' rates of duty closer together at a moderate but not meaninglessly low level.

Coal policy as part of a common energy policy

The High Authority's coal programme includes consultations among the six Governments for the purpose, inter alia, of agreeing a concerted import policy.

The High Authority has also submitted a draft Community procedure for State aids to collieries. These can then begin to be allocated.

At the same time, active efforts are to be made, in co-operation with the other Executives, to ascertain more accurately the potential competition from natural gas.

A drive is to be undertaken, with the assistance or encouragement of the High Authority, to improve the position of Community coal, by various measures in connection with productivity, marketing and fuel efficiency.

However, short of lining up the Treaties, it will not be possible to make much progress towards equitably settling the problem of rules of competition among the different energy sources.

Action concerning steel

In the High Authority's view, pressure on prices must be expected to develop the moment there is a slackening in business activity, whereupon there would doubtless be a widespread recrudescence in the E.C.S.C. market of the practice of aligning on third-country quotations.

The High Authority intends to include in its quarterly "programmes with forecasts" fuller particulars as to the development of short-term market disturbances.

As regards structural problems, special attention will be devoted to the rationalization of rolling schedules, a matter in which E.C.S.C. enterprises are poorly placed vis-à-vis the major competitor countries, and to foundry pig-iron, indigenous production of which is temporarily protected by a duty of \$7.00 per ton, but is scheduled for rationalization along lines compatible with the Treaty of Paris.

The High Authority also intends to continue its promotion of steel utilization, more particularly by convening in 1965 another Congress of the same kind as that held in October 1964 on the use of steel in building. A number of research projects are also to be financed, and efforts will be made to put an end to a state of affairs in which the devising of new uses for steel tends to be hamstrung by inappropriate administrative regulations.

The High Authority is fully alive to need for rationalization in the iron-ore mines, for security of iron-ore supply, and for a sound social and economic balance in the Community orefields.

Readaptation and redevelopment

The High Authority is expecting an appreciable rise in the number of applications for its assistance in connection with industrial redevelopment projects. A more systematic policy is needed here, to be conducted in co-operation with national experts, with E.E.C. and with the European Investment Bank. The aim will be to enable redevelopment operations to be got under way in good time, to systematize decisions on the location of industrial estates, to build up a corpus of detailed material on successful past ventures in this field, and so on.

In thus stepping up its activity in regard to redevelopment - organizing credit facilities and advancing loans for the purpose - the High Authority will of course not be paying any the less attention to the parallel work of readaptation: quite the contrary.