

EUROPEAN LABOUR BULLETIN

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ABOUT THIS BULLETIN

This bulletin is intended for trade union, labour and cooperative editors and education officers. It contains information about the new communities of Europe and the contribution and role which trade unionists and socialists on the Continent are making to them.

It is produced approximately every two months by Britain in Europe. Its object is to provide authoritative material on European developments for use in the publications and educational activities of the Labour Movement.

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The Editors will be pleased to supply photographs for publication and to provide additional facts and special articles as required.

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The Editors would also be pleased to receive from readers news items illustrating British Labour's views on Europe for inclusion in future issues.

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THE QUESTION OF HERR KRUPP

A case study for the European Coal and Steel Community

Herr Krupp has just brought off a remarkable coup. He is to merge his great coal and steel subsidiary, the Rheinhausen group, with a similar though smaller concern, the Bochumer Verein. And this despite the fact that he should not really have any coal or steel interests at all.

What is more, he has won approval for this merger from the High Authority of the European Coal and Steel Community (E.C.S.C.) only three weeks before the expiry - on January 31, 1959, - of the time limit within which he had to comply with the deconcentration of industry agreements be made five years ago with the British, French and United States Governments.

Far from complying, he appears to be doing the very reverse - he has not in fact finally decided on the merger - and doing it with the blessing of the E.C.S.C., which has trust-busting and the frustration of cartels as one of its key functions. How, it must be asked, has this situation been allowed to develop? Why has the post-war attempt to break the power of the leading Ruhr industrial barons come to nought?

The policy of breaking down German heavy industry, in particular the coal and steel sectors, was in fact never pursued very effectively or consistently, and was eventually subordinated to the aim of restoring the German economy. The basic legislation is to be found in Allied occupation Law No. 27, which singled out the nine largest coal and steel firms for break-down into forty-two units. The owners of the old firms were to be fully compensated by shares in the new firms, provided that they did not take a majority holding in more than any one of these. This meant that the Thyssen, Wolf, Krupp and other families had to sell out subject to being able to find buyers willing to offer reasonable terms. In the case of Krupp there was the further obligation to sell out of coal and steel altogether.

Krupp divested himself of three concerns, but was

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unable to find a buyer for the great coal and steel combine, the Rheinhausen group, which in 1957/58 had a turn-over of £105 million. It is perhaps scarcely surprising that no serious buyer came forward, given that no obligation was imposed to sell except on favourable terms. A few offers were made, but they came to nothing.

Meantime, Krupp turned his energies to engineering and built up the huge Essen group, with a turn-over in 1957/58 of £187 million, ranging from shipbuilding, locomotives and other vehicle construction to civil engineering and even housing. He now aims at uniting the Rheinhausen group with Bochumer Verein, a concern which last year had a turn-over of £61 million. Bochumer Verein itself combines a coal company formerly owned by Krupp - one of three concerns he sold under Law No. 27 - with one of the thirteen components of what was before the war the biggest by far of all German Steel concerns. These two units composing Bochumer Verein were acquired under Law No. 27 by a Swedish financier, who has offered Krupp an option on 75% of their capital. Should Krupp take up this option, as he almost certainly will, he will control about 4 million tons, or 16%, of Germany's current steel capacity, plus about 6 million tons, or 5 %, of hard coal output.

Other German industrialists who profited under the Nazi regime, except for Krupp, have so far complied with the letter of Law No. 27. There remain, however, three cases in which the time limits for decartellisation have not yet run out. These cases, as also Krupp's, are now to be subjected to review by a special seven-man commission of experts comprising three nominees from the West German Government, one nominee from each of the British, French and U.S. Governments, and one co-opted member who should in theory mediate between the Germans and the former occupying powers. The Commission, which has started its investigations, has first to consider Krupp's application for a one-year extension to the time limit (which has already expired) and then to decide whether to release Krupp from his obligations altogether, as the German Government has urged.

The decision of the E.C.S.C. to approve Krupp's proposed merger does not formally influence the outcome one way or the other. The issue was judged on quite different

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grounds from those embodied in the Occupation Law, namely those defined in the E.C.S.C. Treaty. According to this the High Authority of the E.C.S.C. has to decide whether or not an agreement between firms or concentrations of firms will be in restraint of trade.

A number of criteria are set forth, such as price fixing, restriction of production, technical development or investment, and the allocation of markets, products, customers or sources of supply. Unless the rules of competition laid down in the Treaty look like being evaded by securing an artificially privileged position, the High Authority is bound to agree to a merger. If it refuses, the case may be taken to the European Court of Justice for arbitration.

In the Krupp instance there was no clear evidence that these rules would be violated. The two coal and steel concerns already carried out the bulk of their business with one another, so that their combination would merely formalise the high degree of practical integration existing. Moreover, in terms of the European Coal and Steel Community as a whole, the merged firms would be far from dominant, their combined coal output amounting to only 3% of Community production, while for crude steel the proportion would be 5.5%. Several other firms in the Community are of approximately the same size, and none enjoy as dominating a position as the leading U.S. or even British steel giants in their markets. The High Authority inevitably judged the question of dominance in terms of the whole Community and not just of the member nations, because the market is now completely unified. It could hardly have overruled the Krupp application for bringing about undue concentration in Germany alone, when approval had previously been given to the Belgian steel firms Cockerill and Ougree Marihay which jointly account for a very large proportion of Belgian output but only 4% of the Community's output.

The High Authority has stressed the fact that the decision over the merger concerned only its economic implications, and not the political aspects involved in the Allied Occupation Law. This view of the High Authority's functions is based on the Paris agreements (Article 9) of

October 1957, which granted West Germany its sovereignty. The West German Government was made responsible for applying the measures for decartellising the Ruhr, while the E.C.S.C. was given the task of checking further cartellisation in accordance with the terms of its own treaty. Consequently the High Authority has claimed that it is not concerned with the question of the ownership of the Krupp coal and steel empire, thereby leaving the issue to the special inter-governmental commission which has been set up.

It is understandable that the High Authority, whose members have all reached the end of their terms of office, should not wish to stir the hornets' nest of controversy about Krupp. But in fact the E.C.S.C. is more closely implicated than may seem to be the case, despite the legal doubts about the powers which can be exercised.

The High Authority has in any case imposed one major limitation on Krupp. It requires him to obtain special permission for all extensions to plant. The purpose of this is to guard against his attaining a dominant position in the future. It was clearly appreciated that Krupp, having extensive financial resources, might well become too powerful again.

This restraint on Krupp, a power exercised by the High Authority for the first time, evidently has implications going beyond the formal criteria on which the merger was sanctioned. After all, a major reason for the creation of the E.C.S.C. in the first place was, from the French point of view, to provide an international control of the Ruhr once the military occupation was over. It is scarcely surprising therefore that the French government should be bringing the Krupp issue before the Council of Ministers of the E.C.S.C. The French will certainly not allow the matter to go by default. Monsieur Debre, the French Premier, holds very strong views on cartels, and has long held that the High Authority should be armed with stronger powers to deal with them.

Although the outcome of the Krupp issue remains

in doubt, experience shows that the High Authority of the E.C.S.C. is in a weak position to take a firm line. Normally the Council of Ministers serves as a check on the High Authority, and there is nothing to indicate that this will be an exception. Here, clearly, is another field in which the High Authority's powers require to be strengthened, as the Socialist parties of the Six have long been urging.

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EUROPE'S HUGE COAL SURPLUS

Grave test for the European
Coal and Steel Community.

The bitter general strike in Southern Belgium, which has just taken place in support of miners threatened with redundancy, is only the latest and gravest symptom of the coal crisis throughout Western Europe. During 1958 a coal shortage suddenly gave way to a surplus owing to the general industrial recession. Although production was largely maintained, the drop in consumption has resulted in the accumulation of such massive coal surpluses that emergency measures are being taken to cut production by closing pits, laying off workers and extending short-time.

Pithead stocks in Western Europe are more than twice the maximum amount ever before recorded. During 1958 they rose by two and a half times in Britain and by nearly three and a half times in the European Coal and Steel Community (ECSC), amongst whose members the worst affected were Belgium and West Germany; in these countries stocks rose by ten times. Including distributed coal as well, stocks in Britain at the end of January were just under 35 million tons, or the equivalent of two months normal production. In the ECSC coal stocks, now about 55 million tons, correspond to nearly three months normal production.

Stocks have risen to such proportions because the fall in consumption of coal and the increased competition from fuel oil did not immediately lead to cuts in production. Compared to 1957 output in 1958 dropped by only 3.5% to 215.8 million tons in Britain, and by as little as 0.6% to 246.4 million tons in the ECSC. In addition imports into the ECSC have been sustained at a high level, thereby very much aggravating the situation in the absence of export outlets. Thus the ECSC has faced more acute difficulties, despite the fact that the decline in consumption came later than in Britain and was less marked.

Last December a conference was convened in London by the Miners' International Federation to consider what steps should be taken to cope with the coal surplus, and the dangers this created for miners' living standards. The miners' unions decided to urge their governments, the ECSC and other international

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organisations to adopt policies to ensure full employment by allowing coal stocks to build up, when necessary by offering financial inducements to stock as long as the recession lasted. In addition, besides recommending specific measures to make coal more competitive and to restrict imports, the unions agreed to embark upon a campaign for shorter working hours without loss of pay.

Broadly speaking the High Authority, the executive body of the ECSC, has tried to pursue a policy incorporating the main elements of this programme. Last May Monsieur Finet, President of the High Authority and a former Belgian trade union leader, declared that "A determined effort will have to be made to prevent unemployment from following on the heels of shortage, and shortage on the heels of unemployment, as has so often happened in the past."

In pursuit of this aim, the High Authority proposed the formation of buffer stocks to stabilise employment and to provide a reserve against a recovery in demand. Finance was to be provided by a small levy on all coal sold in the Community. The scheme was turned down by the Council of Ministers, representing the member governments, as a result in particular of the German insistence that more stress should be placed on making coal competitive. This applied to Belgium coal especially, which was the first to encounter serious marketing difficulties, owing the high costs of production of the Southern Belgian pits.

By the autumn, however, the Germans were also meeting difficulties, mainly owing to the high level of imports. A much less ambitious plan for financing coal stocks then gained support, and on the High Authority's insistence the plan has since improved somewhat. The High Authority is now to devote about £3.5 million to finance pithead stocks accumulated since last September and which exceed 30 days production at individual collieries. Allocations by the High Authority are made conditionally upon a similar grant from the member governments concerned. In order to take even this limited step, the High Authority is having to raid its readaptation funds, which are intended to assist displaced workers in obtaining new employment. The justification given is that this is the best safeguard for workers to which the funds could be devoted in the circumstances.

The other major respect in which the High Authority might have been able to stem the crisis concerns imports.

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Unfortunately it has no effective power to act, a weakness in the ECSC which Monsieur Finet has labelled an absurdity in view of the fact that the European Economic Community (the Common Market), which has precisely the same member countries, has the coordination of foreign trade policy as a major objective. The result can be judged from the fact that imports into the Community totalled some 31 million tons in 1958, about as much as the increase in stocks during the year. The imports were made mainly under long term contracts negotiated with the USA, and with the active encouragement of the High Authority, during the earlier shortage. In addition Poland has been dumping fairly large quantities of coal in the Community.

As a first step the High Authority, anxious to relate import contracts to long term needs, asked member governments for detailed information relating to these long term contracts, but received little practical assistance. The ideal would have been the adoption of a system like the French one whereby the sales organisation of the nationalised industry has to be informed of all intended imports, and may refuse to give its sanction. However, the High Authority was able to use its prestige with the USA to cancel or postpone some of the contracts made; imports from the USA in 1958 were in fact 11 million tons less than in 1957, and a further reduction will take place in 1959. But so far it has not proved possible to obtain properly concerted action to control imports. The Dutch and the Italians, both almost entirely dependent on imports, have made little effort to switch from American and Polish suppliers to Community coal partly on grounds of cost, and partly because they do not wish to have to switch back again should Community coal become short again. The French have not been much worried since they have kept imports from outside the Community largely under control.

It was therefore for want of any better measure that the High Authority gave its approval in January to German unilateral action in imposing a duty of £1.14.0 per ton on coal imports exceeding 5 million tons in 1959. The duty is estimated to equal the cost of cancelling contracts with the USA, so that it is likely to act as an effective check to imports exceeding the duty-free quota. The scheme has already resulted in vigorous protests from the USA, Britain, and most German consumer groups, so that its final shape remains to be determined.

The German government, by acting unilaterally, gave encouragement to the Belgian government to follow suit. The

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latter having for many months past called upon the High Authority without success to declare a state of "manifest crisis", recently threatened to seal Belgian frontiers against coal imports from other members of the Community as well as from the rest of the world. Were the High Authority, having obtained sufficient support from the Council of Ministers, to declare a "manifest crisis" it would then be entitled to fix production and import quotas for the entire Community.

At first the High Authority refused to take such action, on the grounds that under the Treaty indirect measures must be exhausted first. In addition the Council of Ministers would almost certainly not have agreed that a manifest crisis existed. The general strike in Southern Belgium, however, has sufficiently altered the political situation in the Community to make agreement on the existence of a manifest crisis much more likely.

The Belgian problem, unlike that in Germany, is long-term and fundamental. Only one third of Belgium's annual output of 30 million tons of coal is produced competitively with coal in the rest of the Community; on average Belgian costs are 40% higher. The problem was recognised when the ECSC was created, a special levy on German and Dutch coal being instituted to enable Belgian mines to compete. They received £17.8 million from this source, plus half as much again from national sources under a scheme operated by the High Authority. But the boom conditions during most of the five years operation of this compensation scheme gave little incentive to reorganise the industry adequately.

The full rigours of the recession have thus coincided with the steps designed to close pits with a combined output of 5-6 million tons a year. Other members of the Community and the High Authority itself would not consent to any further relief for Belgium unless the closures were carried out. The general strike, however, even if it does not contribute to the declaration of a manifest crisis, looks like bringing about a temporary reprieve long enough to enable new industries to be sited in the affected areas and to allow the High Authority's generous compensation for workers (80% of full wages on average for a year) to be adequate in the circumstances. In addition, the general strike has brought home to the Belgian Government the need for a more vigorous regional development programme, and

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given force to the miners' demands for nationalising the coal industry.

None of the major measures taken - financing stocks, German import duties, and a more long-drawn programme for closing uneconomic Belgian pits - will solve the coal crisis. This depends upon an upturn in economic activity. But many steps can be taken to soften the impact and lessen the hardship. For instance, the High Authority has already persuaded governments to reduce some of the tax and other advantages enjoyed by oil distributors; encouraged consumers such as public utilities to place long term contracts for Community coal; and allowed special price reductions to be made in these cases.

What are the lessons to be drawn from what is proving to be by far the most severe test yet faced by the ECSC? Blame for the crisis can be laid at many doors. Whatever criticisms are being made of individual decisions by the High Authority, the main lesson would seem to be that its powers are too weak to meet this sort of situation. For years it has put pressure on governments to adopt a Miners' Code which would safeguard miners from the very hardships they are now facing. As regards general policy, it is only with the greatest difficulty that the High Authority has managed to win the cooperation of governments in even a fairly restricted coordination of approach to the crisis. This is not to decry the real and positive achievements. What is lacking is the power to develop an effective common policy for the whole Community on the long term.

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SOCIALIST INTERNATIONAL

CALLS FOR STRONGER EUROPE

European Socialists favour economic association
with the Common Market

In recent months the socialist parties of Western Europe have been working out their attitude to the European Economic Association which the countries of the Common Market propose should replace the now defunct scheme for a European Free Trade Area. The details of the Association are still being discussed by the Commission of the European Economic Community in Brussels. They are due to be presented to the Community's Ministers early in March. Until they are made public it is evidently impossible for socialists or trade unionists to have a definite policy. Nevertheless, from two recent meetings of European socialists - at which the British Labour Party was represented - it is already possible to see the outlines of an Association which would be acceptable to them.

It is clear that all are agreed that some form of association between the other western European countries - including Great Britain - and the Common Market is essential to reinforce the economic solidarity of a democratic Europe. This was the first point made in the final resolution passed by the Conference of Socialist Parties which was held in Brussels on December 17-18 last. An earlier meeting at Strasbourg made the same point when it was argued that the "conclusion of such a treaty, accelerating as it would the creation of a larger economic area, would encourage the increase of productivity and facilitate the raising of the standard of living of the peoples".

The second essential feature of such an Association is that it should not be inward-looking, but so constructed that it would contribute to the economic and social progress of countries in other parts of the world which are in the process of further development. Its objective, it was agreed at the Strasbourg meeting, should be "to bring the standard of living in those areas into line with that in member countries".

In contrast to the abortive Free Trade Area project, it would also be concerned with much more than merely
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freeing trade. It would be a much tighter association, equipped with the means of ensuring that its members would pursue policies of expansion, full employment and social progress. It would also have the task of "providing for measures of industrialization and the modernization of agriculture for the rapid expansion of the development areas within the Association", so that in such areas as southern Italy the standard of living could be brought closer to that in other more favoured areas.

Members of the Association would undertake, and give each other guarantees, that they would carry out common action in the fields of economic, financial and monetary policy. None of these would be possible if each member were completely free to fix customs duties at whatever level seemed best for the interests of a particular country, and so it was agreed in Brussels that each state which joined would give a voluntary undertaking to work towards the harmonization of duties. Such an undertaking would go a long way to meet the problem which the British Blue Book on the Free Trade negotiations underlined as one of the major problems of the British Government's proposals. Experts worked away for months in a morass of statistics and customs tables trying to find a way round the problems which an unequal external tariff presented: none that was satisfactory to all parties was found. And in this respect it is significant that one of the recent, unofficial concessions which has been put forward from the British side is a harmonization of tariffs on industrial goods - which the meeting at Brussels saw to be necessary even before the old negotiations had collapsed.

In short, the socialist parties claim that their approach offers a new and imaginative solution to a problem which, by common consent, is one of the most urgent which now faces the countries of western Europe. In this respect the British F.U.C. may claim to be a pioneer. As long ago as November 1956 it called its policy statement on these problems "Economic Association with Europe".

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A NEW SOCIAL CHARTER FOR EUROPE

A social charter which will bring benefits to all European states is now being drafted by the Council of Europe. Its aim is to establish a common measure of social legislation throughout the fifteen member countries.

Under the terms of the proposed Charter each country will commit itself to a minimum number of basic rights and principles.

These include the right (a) to work; (b) to just conditions of work and to safe and healthy working conditions; (c) to a fair wage; (d) to organize and bargain collectively; (e) to special protection for children, young persons and employed women; (f) to vocational training and guidance; (g) to social security; (h) of the family to social and economic protection; (i) to engage in any occupation in the territory of any of the other countries who adopt the charter; (j) to protection and assistance for migrant workers. The Charter also lays down methods for the effective supervision and implementation of the Charter's provisions.

The Social Charter, it is claimed, will secure for the citizens of its members basic economic and social rights in the same way as the Convention on Human Rights guarantees civil and political rights.

There are however important differences between the two charters. In the case of the Human Rights Convention two independent bodies of jurists - the European Commission and the European Court of Human Rights - determine whether any given right has been violated or not. In the case of the European Social Charter it will be the Governments themselves who decide whether or not the obligations assumed under the terms of the Charter have been carried out.

Under the Charter the member countries will submit to the Secretary-General of the Council of Europe periodical reports on the application of such provisions as they have undertaken, together with comments from national employers

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and trade union organisations which are members of international employers or workers bodies. These reports and comments will then be examined by a body of independent experts who will submit the reports with their own recommendations to a Sub-Committee of the Social Committee of the Council.

The I.L.O., the international employers and trade union organisations will participate in a consultative capacity in the deliberations of the Sub-Committee. On the basis of the latter's report, the Committee of Ministers of the Council of Europe may make recommendations to its members. In the final instance, therefore, the Governments will determine the carrying-out of the Charter's provisions. Thus the Charter will be notably less "supranational" than the Convention on Human Rights.

In December 1958 the draft European Social Charter was examined at a Conference convened by the International Labour Organization. This Conference was composed of representative national delegations comprising government, employer and worker delegates. The British worker representative was Mr. Robert Willis, Chairman of the General Council of the T.U.C.

The Conference, despite differences on certain points, was nevertheless able to reach agreement on a number of proposed modifications.

Certain governmental and employers' delegates - more particularly those of the Federal Republic of Germany - felt that the "tripartite" machinery proposed was not compatible with the structure of the Council of Europe which, they alleged, was governmental in character. This reactionary attitude was opposed by the workers' delegates, and by the Belgian Government member, who considered that employers and workers should be more directly associated in the procedure of implementing the Charter so as to ensure democratic and effective supervision.

A number of compromise solutions on social rights were approved which, despite their relative weakness, nevertheless constitute an advance on the provisions as

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originally drafted. This was particularly the case with the article on the right to work. The workers' delegates insisted that the right to work was a fundamental right. The employers' representatives, however, and certain Government delegates representing industrially under-developed countries, pointed out that it was impossible to guarantee employment at all times to their entire working population. They agreed, however, in line with current British governmental policy, that it was desirable to aim at maintaining the highest level of employment compatible with a sound economy.

Other Government delegates expressed themselves in favour of inserting in the Charter a reference to full employment seeing that this was a well understood concept in many Member Countries. On the proposal of the Italian Government delegate - Italy suffers from chronic unemployment - a proposal was adopted which undertook to accept as a primary aim the responsibility for the achievement and maintenance of as high and stable a level of employment as possible, with a view to the attainment of full employment.

Another debate developed over the advisability of including in the Charter a reference to the right of workers to strike. Here it was agreed that subject to the obligations arising out of collective agreements previously entered into, the right to strike should be included in the article on the right to bargain collectively. This was accepted by the employers' representatives - who, however, requested that the right to lockout should also be included.

The Committee of Ministers will now examine the suggestions made by the Conference for improving the draft Charter and it is anticipated that it will pay the fullest regard to them, given the representative and authoritative character of the Conference. The final text, as adopted and brought into force by the Governments, will almost certainly therefore be close to the revised draft.

What real progress - if any - will its adoption represent ?

In the first place it will form a common basis in

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the field of social legislation and practice. This is in accord with the Council of Europe's policy of gradually unifying the laws of its Member States in an ever-increasing number of fields - a policy that has been attended with quite considerable success.

In the second place, for certain countries, the commitments to be undertaken under the Charter mark a distinct step forward by comparison with existing social legislation. This is of course less true for the "socially advanced" countries. Britain is by no means altogether in the lead in this respect. The Scandinavian countries must also look to their laurels. Were both to accept all the provisions of the Charter they would have to introduce fairly substantial changes in their legislation.

Lastly, this detailed and searching collective examination by the European countries of their social achievements and policies is valuable in itself. The Tripartite Conference represented the first such general review at European level. It should be repeated. The Council, however, would be wise to regard its Charter only as a starting point: as a solid basis, useful as far as it goes, but inviting a rapid completion of the structure.

The lesson of the proposed Charter is that some measure of harmonisation of social conditions in Europe is essential. This necessity has been recognised by the Six in the creation of the Common Market, and the failure to recognise it was an important factor in the breakdown of the negotiations of a Free Trade Area.

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