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EUROPEAN COMMUNITY

for coal and steel

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THE COMMUNITY'S RELATIONS WITH THE OUTSIDE WORLD

"Our Community is not closed upon itself, but on the contrary open to all who wish to join" was a statement made by Jean Monnet in 1953. At the time, M. Monnet, the first President of the High Authority, sought simply to reaffirm the open character of the Community upon which Robert Schuman had laid stress 3 years earlier. In his historic proposal on May 9, 1950, M. Schuman, then French Foreign Minister, declared that the aim of the Community was "to place the entire French and German coal and steel industry under a common High Authority in an organization open to the other countries of Europe."

"Little Europe"

M. Schuman's proposal was addressed to all European nations who produced coal, steel, and iron ore. Yet only six nations were able to accept its conditions. Why? Undoubtedly, the main reason was because the proposal differed from other plans for economic unity by virtue of its implied commitment to the principle of federal institutions with limited but real powers over national governments. This issue raised severe doubts even among some of the nations who eventually joined. But at least three Western European producers of coal, steel, and iron ore—Norway, Sweden, and Great Britain—were unable to surrender voluntarily certain of their national prerogatives. Britain, in particular, welcomed the proposal but declared herself unwilling to become a member. Britain's attitude was more explicitly stated later by Sir Winston Churchill, in a speech before the House of Commons: "Where do we stand? We are not members of the European Defense Community, nor do we intend to be merged in a federal European system. We feel we have a special relation to both. This can be expressed by the preposition 'with' but not 'of'—we are with them but not of them."

The unwillingness on the part of Britain to join in the first step toward uniting Europe was not unexpected but it was, nevertheless, a disappointment to continental nations who had hoped Britain would overcome its reluctance to part with such a small measure of sovereignty.

The extent of the Common Market for coal and steel, therefore, is that of the European territories of the member states—Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. The French North African departments are excluded from the Community, although this exclusion is more theoretical than real, since products of these territories enter Metropolitan France without restriction and are therefore freely accessible to the Community as a whole. The Treaty also applies to those European territories—Andorra, Monaco, San Marino, and the Saar—whose foreign relations are assumed by the Community's member states.

The area of the Community is 449,000 square miles, and its population is 162 million people—roughly as many as in the United States of America: its active working population is 69 million. In 1955, the Community produced a record 52.7 million metric tons of steel and a postwar peak of 246.4 million tons of coal. It shares with Russia the world's second place in output of these products. "Little Europe" is thus fairly sizeable. But it is by no means cut off from the larger units in Europe and in the world.

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SUEZ, HUNGARY, AND EUROPEAN UNITY

When Egypt's Colonel Nasser seized control of the Suez Canal last July 26th, comment in Western Europe held that never before had an event more dramatically stressed the need for the free nations of Europe to close ranks and unite. Now, in the blaze of recent events—the tragedy of Hungary and combined British and French action in the Middle East—Europe has been participant and witness to the danger of continued disunity. Following is a selection of recent public and editorial comment upon the lesson of Hungary and Suez.

RENÉ MAYER, President of the High Authority, speaking before the European Atlantic Group in London on October 15:

"If there is a lesson to be drawn from the terrible agony which Hungary is enduring, it is purely this: that Europe needs effective institutions with sufficient powers to act, if Europe is to survive.

"Through its brutal repression in Hungary, Russia has put the clock back. More than ever before, we require a common policy, a common resolve, and common action."

RAYMOND SILVA writing in the *Journal de Genève*, Switzerland, on October 14:

"A strong current is becoming evident at present in favour of European integration. So far the projects drawn up, most of which have not succeeded, were aimed at defending a Western world menaced by the Soviet will to conquer. Other motives of anxiety have been added to this continuing menace and have been crystallized by the Suez affair.

"Because they did not take the necessary measures in good time, the Western nations and, in particular France and Great Britain, have suddenly realized their weakness, which is due in large part to the dispersion of their efforts. . . .

"Faced with this new and alarming situation, Western statesmen have again brought out Europe's dossier. The most far-sighted of them all, the German Chancellor, has set the tone. France and Germany—and this does honor to both nations—have settled the Saar dispute. The way is open for a revival of the European idea. . . .

"Thus the outlines of a common action, to break out of the confines within which isolated nations die, are becoming clear. Without illusions, but with firmness, they are attempting to free themselves from their dependence on Russia and America and, by associating with each other, to become a great world power."

EMILE ROCHE, President of the French Economic Council, writing in *Le Monde*, on October 16:

"The lesson which emerges from the Suez affair is that, whatever the rights of the Western nations, and however great their determination to resist attacks made on these rights, they have no chance of being accepted as great powers except by presenting to the world a united, unbroken front. It was the United States of America, which by refusing to finance the Aswan Dam, gave Nasser the pretext for his coup. But it was the *divided* states of Europe which the Egyptian dictator turned on. The juxtaposition of these two adjectives is sufficiently eloquent. . . .

"The unfortunate Suez affair demonstrates more clearly than ever our isolation and our weakness. We are seeking a reply to show the world that we do not accept our decline. No other exists than that of building a united Europe."

The DUTCH ATLANTIC COMMITTEE, in a statement issued on November seventh:

"The division of Europe and of the free West can only prolong the agony of Eastern Europe. A united Europe, closely linked with our overseas friends in the Atlantic Community, can offer the people of Eastern Europe the prospects which they need and bring nearer the day when, in freedom and independence, they will make their contribution to the building of an international code of justice."

M. ROBERT SCHUMAN, former French Prime Minister and Foreign Minister, speaking to the Luxembourg Rotary Club:

"We must bring about the unification of Europe, not only in the interests of the free peoples, but also in order to be able to accept into that unity the peoples of the East. For a long time now, the demarcation line drawn through the middle of Europe by brute force has caused us deep pain. We consider all those people who wish to be re-united with us as a part of Europe. We must give them the example of our unity. At the right moment we must stand ready to receive them in our midst."

SIG. ANTONIO SEGNI, Italian Premier, to the Assembly of the *European Youth Campaign*, in Rome, November 20th:

"You have chosen a way which seems to me to be one of the most important, towards a secure peace: the way of a united Europe. You have behind you a brief past, but one already full of achievement. Let us now look further ahead to other and higher aims, towards a common market, Euratom, and finally the political unification of the Continent in which nationalities, far from being suppressed, will reach their apogee . . . We are seeing today elsewhere in our own Continent of Europe hideous and inhuman events. The most elementary freedoms and the most sacred rights are being denied to the gallant Hungarian people . . . Among the many reasons for persevering along the road to unity, and for developing and consolidating it in more durable forms, none could be more eloquent, more compelling, more poignant than that which comes to us from so near a neighbor."

The *Frankfurter Allgemeine Zeitung*, November 19th:

"It would be the biggest mistake we could make, if we now tried to organize our economy on war-time lines, simply because the fear aroused by the Suez conflict is still in our bones . . . On the contrary, we should maintain that which constitutes the West's main attraction in comparison with the East—the economic superiority which is in large part due to the broad international division of labor . . . In spite of the disappointments and setbacks, we must not forget how much the nations of the West, whether they like it or not, are dependent on each other and that the future can only lie in a closer cooperation and not in separatism. Isolationism in the individual European states would be the beginning of the end."

The London *Economist* of November tenth:

"Although German opinion . . . has been fiercely critical of the latest actions of France and Britain, Dr. Adenauer and M. Mollet have managed to make another notable contribution to the building of "Little Europe". . . .

"The original purpose of their (Paris) meeting was to discuss the Common Market and Euratom; but with the sense of European solidarity so stricken by the Suez conflict, Dr. Adenauer was naturally deeply concerned for its wider future. He pressed for closer consultation and collaboration in high policy as well as in more detailed matters, and obtained M. Mollet's agreement to regular consultations on general matters between the governments of the Six.

"At the same time, despite the hectic atmosphere and bombardment of messages from the Middle East and London, remarkable progress was made on Euratom and the Common Market."

In the United States, *The New York Times* of November 20th:

"The impact of recent events, which has further tarnished and dimmed the luster of the remaining European empires, has also given new impetus to the movement for European unification as the only way to save the Old Continent from collapse and to restore it to some of the vitality and prestige which made it in the past the center of power and culture in the world."

FRANCO-GERMAN DIFFERENCES RESOLVED ON EURATOM AND COMMON MARKET

Meeting in Paris on November sixth, France's Premier Guy Mollet and Germany's Chancellor Konrad Adenauer personally brought about a large measure of agreement on the Euratom and Common Market projects. Although the official communiqué issued at the close of the meeting gave no details, it was reliably reported that earlier differences which had arisen between cabinet-level officials of the two nations had been resolved by the Chiefs of State.

The three main islands of disagreement which appear to have been removed are:

1. *Euratom*—Germany's refusal to grant Euratom's executive authority to exercise monopoly control over the supply of fissionable material;
2. *Common Market*—Germany's opposition to the harmonization of certain social conditions, notably the length of the working week, and
3. *Common Market*—France's reluctance to abandon certain import taxes and export subsidies.

On Euratom both nations agreed to a "modified monopoly" over supply, meaning that users would be allowed to turn to sources of supply other than Euratom only in the event of "excessive prices" or of a shortage. These exceptions would, however, be subject to authorization and approval according to a recognized procedure.

In the social field within the framework of the Common Market, the Federal Republic has already agreed in principle to equal pay for women. On the issue which represented the major deadlock, the length of the working week, West Germany has now agreed to bring her wage structure gradually into line with that of France: under the terms of the solution, she will make all work hours over 40 payable on an overtime basis by the end of the first transition period of four years.

Finally, France appears to have won a substantial portion of her claim for exemptions on certain import taxes and export subsidies. Under the present terms of agreement, France must periodically present the case for their retention before the European Commission which will supervise the Common Market, but will not be compelled to abolish them entirely until she has achieved equilibrium in her balance of payments and an adequate level of reserves.

Treaty Timetables Reported Extended

According to news reports, the deadline for completion of the Euratom and Common Market treaties being drafted in Brussels has been extended. Originally, hopes had been expressed that both treaties would be ready for submission to participating Governments at the end of November. However, according to France's Secretary of State for Foreign Affairs, Maurice Faure, the Euratom treaty will require about 60 more days of work before completion, and the Common Market treaty will not be finished for another three or four months.

The French official also reported that France and Belgium have jointly agreed to include their Overseas Territories in the proposed Common Market. The move would open these closed national markets to trade and investments by the other four nations of the Coal and Steel Community.

THE COMMUNITY'S RELATIONS WITH THE UNITED STATES

To the European observer, one of the most consistent aspects of postwar United States foreign policy has been steadfast support of economic and political integration efforts among the free nations of Europe. This policy took shape soon after the war and has continued until the present day.

Steps along the way—the Organization for European Economic Cooperation, the European Payments Union, the Council of Europe, NATO—all were supported by United States policy as progressive measures toward eventual European union. However, not until the formation of the European Community for Coal and Steel did the United States for the first time witness in Europe a partial reflection of its own federal image. Europe's first venture into supranationalism was warmly hailed and U.S. support was thereafter extended to the next step toward unity, the European Defense Community. The subsequent death of the defense plan in the French National Assembly dealt a heavy blow to U.S. policy. Nonetheless, in the two and one-half years following the event, the United States with its continued support for existing institutions of unity has demonstrated that European integration within the framework of an expanding Atlantic Community remains the cornerstone of its western European policy.

A Chronology of Official U.S. Policy Statements

* As far back as 1947, Secretary of State George C. Marshall expressed a then distant hope that the "logic of history" would prevail in western Europe and that its nations would draw closer together "not only for its own survival but for the stability, prosperity, and peace of the entire world."

* In 1949, Marshall Plan Administrator Paul Hoffman called for a common market of 270 million people among the OEEC nations which, he said, would "make it possible for Europe to improve its competitive position in the world and thus more nearly satisfy the expectations and needs of its people."

* When, in May, 1950, France's Foreign Minister Robert Schuman made his historic proposal for the pooling of France and Germany's coal and steel resources in a common market open to other free European nations, President Harry S. Truman told a press conference: "Mr. Schuman's proposal is an act of constructive statesmanship. We welcome it. . . . This proposal provides a basis for establishing an entirely new relationship between France and Germany and opens a new outlook for Europe."

* Nearly a year later, in April, 1951, after the six nations of the Community had initialed the new Treaty embodying M. Schuman's proposal, a State Department communiqué said: "The United States Government welcomes the action taken . . . in developing this unprecedented agreement, the six countries have provided dramatic evidence of their will to merge their national interests in order to contribute to the peace and well-being which are the objectives of the free nations of the western World."

* When the Community's institutions had been functioning for nearly a year, the White House released a statement on June 3, 1953, which said: "President Eisenhower, while in Europe, watched with keen interest the efforts to work out the first steps toward European federation. His experience there convinces him that the uniting of Europe is a historic necessity for the peace and prosperity of Europeans and of the world."

* President Eisenhower, later the same month, in letters addressed to the Chairmen of the Congressional foreign affairs committees, declared that: "The Community seems to me to be the most helpful and constructive development so far toward the economic and political integration of Europe. As such, this European initiative meets the often expressed hopes of the Congress of the U.S."

* Both Senate and House Committees concurred with the President's view of the Community, and the House Committee, in a resolution supporting application for a loan to the High Authority from the Export-Import Bank, declared: "The Committee, reiterating the view repeatedly and officially stated by the Congress of the importance of European unity to Europe and to the free world, expresses its hope that the European Defense Community and the European Political Community which constitute the necessary further steps of which the Coal and Steel Community is the first, may be speedily developed, ratified and put into force."

* Perhaps the most concrete gesture of policy support was made by the United States in April, 1954, when it lent the High Authority $100 million for a 20-year period in order to stimulate capital investments in coal and iron ore industries of western Europe.

* Proof of continued U.S. support for the ECC&S, despite the setback to EDC, came in February, 1956, upon the occasion of an official visit to Washington by High Authority President René Mayer. President Eisenhower at that time assured M. Mayer that "the United States regards continued progress towards European integration as a vital contribution towards security, welfare, and freedom during the years ahead."

Finally, the State Department in a communique issued during President Mayer's visit said: "The United States had recognized the importance of its friendly relationship to the European Community for Coal and Steel by establishing recently a Mission to the High Authority headed by an officer of ambassadorial rank. President Mayer and Secretary Dulles voiced the expectation that this Mission would contribute to the strengthening of the close and cordial relations which exist between the European Community for Coal and Steel and the United States.

Diplomatic Ties

The appointment of a full scale U.S. Mission to the Community in March, 1956, under the leadership of Ambassador Walton A. Butterworth was, according to a State Department statement, the consequence of full recognition by the United States of "the importance of the Community as an independent international entity."

In a sense, a tie between the United States and the ECC&S existed before the Community came into being. Many of the articles drafted into the Treaty creating the Community, such as anti-cartel and anti-discrimination clauses were patterned almost directly after existing U.S. legislation: the federal structure of the Community's institutions and the functions of the Court of Justice were closely adapted from the U.S. pattern.

A month after the High Authority took up its duties in Luxembourg in August, 1952, the United States established an official representation in Luxembourg under the direction of William Tomlinson. In February, 1953, the former U.S. Ambassador to France and former Under Secretary of State David K. E. Bruce was officially accredited as the U.S. Representative to the Coal and Steel Community. Mr. Tomlinson was continued as his deputy. The U.S. Office in Luxembourg functioned independently of the U.S. Ministry (raised to Embassy status in September, 1955).

Today there are two full-fledged U.S. Ambassadors in Luxembourg, a country smaller than the state of Rhode Island. They are the U.S. Ambassador to the High Authority, Walton C. Butterworth, and the U.S. Ambassador to Luxembourg, Wiley T. Buchanan.

COMMUNITY RELATIONS WITH SWITZERLAND AND AUSTRIA

On the map of the Community two small countries make a deep indentation into its eastern frontier, which at about the latitude of Paris abandons its general north-south direction and turns sharply westward. It maintains this direction for more than half the distance to the Atlantic coast before doubling back to join the Italo-Yugoslav frontier not far north of the Adriatic coastline. Within this large pocket is the whole of one small, neutral country, Switzerland, and a large part of another, Austria.

It would seem natural that these two countries, straddling as they do many of the Community's vital north-south trade routes, should have special relationships with the Community.

The economic forces making for close links are strong in both cases: Switzerland and Austria depend on the Community for the bulk of their solid fuel imports; and it is possible that, but for the political forces of neutrality, together with the fact that until not very long ago a large part of Austria was still occupied by Russian troops, both countries would have been members of the Community.

Both countries have tried to overcome the disadvantages of remaining outside the Community by means of special arrangements with the High Authority. The High Authority, in turn, in accordance with its policy of extreme flexibility in arrangements with third countries, has encouraged these efforts and has been willing to adopt new forms of agreement. So far the latter concern mainly Switzerland, but the signs are that in the long run the link with Austria will be even closer.

Switzerland — Consultation and Capital

The Swiss Government accredited a mission to the High Authority on April 1, 1953. Its chief is M. Gerard Bauer who negotiated the Agreement of Consultation between the High Authority and Switzerland, which was signed on May 7, 1956. The Agreement provides that each side will consult with the other before taking any measure which might affect the other's economic interests. [See ECC&S Bulletin No. 16, page 5 (June, 1956) for details of the agreement.)]

An important feature of the Agreement, which runs initially until February 10, 1958, and is renewable automatically by five-year periods, is that it sets up a permanent Joint Commission comprising representatives of the High Authority and the Swiss Government in equal numbers. This permits regular consultation similar, but on a smaller scale, to that provided by the Council of Association with Great Britain.

If the High Authority seemed to give a little more than it got, Switzerland has proved generous in another direction. On June 6, 1956, the High Authority contracted with a group of Swiss banks for an 18-year loan of 50 million Swiss francs at an interest rate of 4.25 per cent. The loan, floated at the beginning of July, at a time when certain foreign loans had not been conspicuously successful on the Swiss capital market, was heavily oversubscribed, and was a notable indication of the High Authority's credit standing in a financial community noted for its prudence.

Austria to Join the Community?

Despite earlier reports to the same effect, and some hints dropped by the Austrian Chancellor, Dr. Julius Raab, the Consultative Assembly of the Council of Europe in Strasbourg in the second half of October was surprised to hear from the Austrian Foreign Minister, Dr. Leopold Figl, a flat statement that Austria was considering the question of joining the Community. The Government has also asked the Austrian Trade Association of the Coal, Iron, and Steel Industries for its opinion on whether it would be to Austria's advantage to join the Community.

Economically, the case for joining might appear to be a foregone conclusion. Austria obtains 90 per cent of her coke imports, and practically all her coking coal, from the Ruhr. In the past two years, she has seen her supplies appreciably curtailed, and as a nonmember state she must pay considerably more for both these commodities than her competitors within the Community.

As a producer of iron and steel, Austria is dependent on exports to Italy and Germany for marketing a large part of her total output. In 1955, the Community as a whole imported 440,000 tons of iron and steel products from Austria. Despite substantial mutual concessions negotiated within the framework of the General Agreement on Tariffs and Trade in the first half of this year, Austrian producers still feel themselves severely handicapped by tariff barriers in relation to Community producers, for sales within the Community area. Steel scrap is the only commodity which Austrian steel firms through domestic reserves are still able to acquire at lower rates than Community industries.

The odds would therefore seem weighted in favor of Austrian membership in the Community, if the economic criteria were the only ones. Austria already has important economic links with the High Authority, perhaps less formal than those with Switzerland, but no less practical. Apart from the GATT agreement on tariffs, Austria has accepted the Community's uniform nomenclature for steel, and maintains close contact with High Authority commissions such as those dealing with technical research and industrial medicine.

However, the question is complicated by political and politico-economic factors not directly related to the basic economic position. In the first place, although the Austrian Government has categorically stated that the State Treaty and Neutrality Bill do not prevent Austria from joining the Community, or any other economic pool, some of Austria's "neutralists" believe that the Community must be considered in the political context, and that it is one of the pillars of strength of the West. The possible reaction of the Russians, who have never disguised their strong dislike of the Community, might well have a restraining influence on the Austrian Government, regardless of any purely economic factors.

Finally, a decision to join the Community would tear a large rent in the Austrian Government's domestic price policy. The products of Austria's nationalized coal, iron, and steel industries are at present sold at exceptionally low prices on the internal market. Steel prices are as much as 50 per cent below levels ruling on world markets and users could be expected to react against prospects of a price rise to something like Community levels, which membership in the Community would entail. Professor Kuebler, an Austrian economist writing in the labor magazine, "Arbeit und Wirtschaft," has estimated that the present artificial price levels mean a hidden subsidy to Austria's private manufacturing industry of 1,500 million schillings (577 million dollars) a year. Possibly this difficulty could be overcome by a transitional arrangement enabling the adjustment to be made gradually.

In all events, it appears that the Austrian Government has realized that the time has come for a major decision concerning Community membership.

Transport through Austria and Switzerland

For both Austria and Switzerland the problem of Community transit traffic had been the same. As soon as the Community introduced international through rates and abolished frontier charges, it was clear that the pattern of north-south traffic would change in favor of routes not passing through either of these two nonmember countries. However, the High Authority was also interested in finding a balanced solution which would provide a rational distribution of north-south traffic among the various routes.

This highly technical problem was solved for Switzerland by the signature in July, 1956, of a Transport Agreement bringing Switzerland into the Community's rail tariff system for coal and steel. The Community's "tapering" international through rates now apply for the whole of rail shipments through Switzerland, whereas previously they were subject to a break in the rate at the Swiss frontiers; a rail consignment from Belgium to Italy, which previously benefited only as far as Basle, Switzerland, now benefits over the whole of the route.

Under the Agreement the Swiss Government undertakes to observe, equally with the six Community Governments, the

Community Treaty's ban on rate discrimination by country of origin or destination of the products. A joint transport commission will be set up to deal with any problems posed by application of the Agreement, while the Swiss will be consulted before any harmonization measures are brought into force in the Community. They will also accept the Community's nomenclature for coal and steel products.

The High Authority has welcomed the Agreement, for it not only consolidated the existing favorable Swiss transit rates but also, in its own words, "created a true balance over the various north-south routes available to the Community's coal and steel industries."

Negotiations for a similar agreement with Austria started in September and are continuing. When they are concluded, the picture of a unified rate system for rail shipments of coal and steel throughout all of continental Europe will be complete.

The Community's relations with its two immediate neighbors show strikingly the way in which the High Authority has sought to reconcile its interests with those of the nonmember countries directly affected by its actions, and in particular its practical approach to questions which, because they deal with relationships between a supranational authority and national governments, are by their nature novel and hitherto unexplored.

THE COMMUNITY RELATIONS WITH THE OUTSIDE WORLD *Continued From Page 1*

International Organizations

The Treaty provides that the Community cannot compel its members to violate "international agreements to which they are parties." All members of the Community are also members of the General Agreement on Tariffs and Trade (GATT) and the Organization for European Economic Co-operation (OEEC). Both of these seek to reduce trade barriers between their members, and both have adopted a rule of "nondiscrimination" so that all reductions and concessions made must apply equally to the trade of all members. To set up the Common Market in coal and steel, applying only to six countries, the Community had therefore to obtain from both GATT and OEEC a waiver of their "nondiscrimination" rules. GATT granted its waiver in October,1952, and OEEC in February, 1953. Both organizations now recognize the Community as a single entity, and the High Authority has negotiated tariff concessions in GATT as the representative of its six member states. In return for the two waivers it has been given, the Community agrees to consider the interests of nonmember countries and to maintain its own export prices within reasonable limits.

Another link with nonmember countries is provided by the Council of Europe, whose Consultative Assembly holds a joint meeting with the Community's Common Assembly once a year. Many members of the Consultative Assembly are also members of the Common Assembly. Various divisions of the High Authority work closely with the International Labor Office and the Economic Commission for Europe.

A New Type of Embassy

As well as maintaining relations with international organizations, the Community maintains diplomatic relations with individual nonmember states, several of whom have established Missions and Delegations accredited to the High Authority. Luxembourg, where the headquarters of the High Authority are situated, enjoys the distinction of two diplomatic colonies. In addition to Embassies accredited to the Luxembourg Government, there are eight Representatives accredited to the High Authority. Great Britain was the first nonmember country to send a Delegation to the High Authority, on September 1, 1952. This was followed on September 2, 1952, by a United States Delegation, and on December 10, by a Swedish Delegation. In March, 1953, a Norwegian Delegation was accredited; in April, the Swiss and Danish Delegations; in May, the Austrian Delegation, and in October, 1954, the Japanese Delegation. On October 16, 1956, the Head of the Austrian Delegation, Dr. Carl Bobleter, presented his credentials as Envoy Extraordinary and Minister Plenipotentiary, raising his diplomatic status to that of Chief of Mission, a status also held by heads of the United Kingdom, Swedish, Swiss, and United States Delegations.

Association with Britain

In addition to the establishment of these Delegations, the Community has also entered into closer economic relations with Britain. Ever since October 10, 1952, when the High Authority was first established, an aim shared with the British Government was to set up a "close and enduring association" between the United Kingdom and the Community. In a letter dated December 24, 1953, and published as a British White Paper, Jean Monnet, then President of the High Authority, proposed the creation of a formal association between the United Kingdom and the Community, suggesting that the basis of the association should be the reduction or elimination of protective measures between respective markets in coal and steel. After negotiation, an Agreement was signed on December 21, 1954, to provide for continuous consultation at the highest level.

The Agreement of Association was ratified on February 21, 1955, after a prolonged debate in the House of Commons. All political parties agreed on the importance and usefulness of the action. Consultation under the Agreement takes place in a Council of Association composed of representatives of the British Government and of the High Authority. The task of the Council, which meets four times a year, is to lower obstacles to trade and to co-ordinate action, on a long-term basis and in times of boom or slump. The first meeting of the Council of Association was held in Luxembourg on November 15, 1955, under the chairmanship of M. René Mayer, President of the High Authority. At the time, the Council established three Committees on coal, steel, and trade relations which have met regularly since. Their terms of reference cover all the functions for which the Council is responsible under the Association Agreement.

Relations with Switzerland have also been formalized by special agreement. Details of this relationship are described on page 4 .

Trade with Third Countries

The Community's share of the world's trade in coal, coke, iron ore, and scrap is far greater than its share in the world's production of these commodities: more than half of the steel which flows into world trade channels comes from the Community. This provides an index to the importance of the Community's economic relations with third countries. Also, the Community's exports of coal, coke, iron ore, and scrap have risen more steeply than those of the rest of the world. In relation to their 1952 level, exports of rolled products from the Community to third countries stood at 121 percent in 1955 and at 138 per cent in the first six months of 1956; imports during the first quarter of 1956, although admittedly small in absolute value, reached 180 per cent of the 1952 level. In 1955, the Community's iron ore exports represented 169 per cent of their 1952 level and its imports 137 per cent. Finally, the scrap import rate was more than 7½ times higher in the first six months of 1956 than it had been in 1952.

A considerable proportion of this diversified flow of trade is between the Community and third countries in Europe. In 1955, such countries took 47 per cent of the Community's exports of rolled products, 76 per cent of its exports of pig iron, and the whole of its exports of iron ore. They supplied 66 per cent of the Community's iron ore imports. Moreover, despite the extremely rapid rise in internal requirements during the last few years, the percentage of the Community's iron and steel production going into exports has not diminished in recent months.

Coal Trade

Coal trade presents a rather different picture. With the exception of some very small deliveries, Community producers export coal only to the other countries of Western Europe, including certain tonnages to the United Kingdom. Apart from the United Kingdom, the main importing countries are Austria, Switzerland, and the Scandinavian countries, which account for 85 per cent of the Community's total exports. Austria, in particular, depends very largely on the Community for its requirements in solid fuel. From 1950 to 1954, the proportion of Community coal in Austrian imports increased by about 50 per cent, and in 1955, stood at more than one-third of its total imports. However, the Community is unable to supply as much coal as Austria requires, and consequently the balance of its needs is filled in part by high-cost coal from the United States. Austrian orders for coke and oven coke amount to about 600,000 tons a year—90 per cent of coke imports and 30 per cent of the total internal consumption. Here, too, the Community is unfortunately not able to meet the whole of the increased demand. However, Austria is the only nonmember country in Western Europe, apart from the United Kingdom, which produces solid fuel. Although chiefly lignite, this production enables Austria to meet a large part of its nonmetallurgical coal requirements.

Switzerland, on the other hand, is wholly dependent on imports of solid fuel, 90 per cent of which are met by the Community. Deliveries to Switzerland are stable and slightly on the increase as a result of deficit exports from the United Kingdom and Poland. Switzerland imports annually one to two million tons of hard coal and 500,000 to 600,000 tons of coke.

Traditionally, the Nordic countries rely to a far greater extent on British and Polish coal. Thus, they have been sharply affected by the 1956 curtailment of British exports. Community hard coal exports to Denmark represent only five per cent to seven per cent of its imports: but the percentage is 70 per cent for coke with an annual figure of one to 1½ million tons. Sweden, similarly, imports only 15 per cent to 20 per cent of its hard coal from the Community, but 85 per cent to 90 per cent of its coke. Finland and Norway import very little hard coal from the Community—less than 10 per cent of their total imports—and their Community coke imports are not more than 30 per cent.

Steel Export Prices

The Treaty empowers the High Authority in time of crisis or shortage to impose maximum or minimum prices on its own market and, in some cases, to allocate supplies. But it can assume these powers only after a lengthy procedure consisting of first consultation and then obtaining authorization from the Consultative Committee and the Council of Ministers. Thus the High Authority cannot, in its day-to-day operations, interfere with internal prices, nor has it the power to fix export prices which the Community producers charge. It is pledged, however, to keep those export prices within reasonable limits. Consequently, Community officials keep a close watch on export prices and notably prices on steel.

Steel export prices, like internal prices, have risen since the establishment of the Community, but during the eight months of 1955 and 1956, they remained unchanged. However, not long ago, they showed a tendency to rise—although less sharply than those of Britain and the United States. Because price fluctuations in international trade are always greater than in the internal market of the Community (Community producers' prices must be published 30 days in advance), the High Authority does not regard the difference between home and export prices as exceeding the "equitable limits" laid down by the Treaty. Nevertheless, when, early in 1956, a certain upward pressure was felt on export prices, the High Authority reminded Community producers that the "equitable limits" must be respected. They were warned that if these limits were not regarded, higher export prices might attract steel away from the internal market, thus causing a shortage which might justify allocation of supplies. As a result, the Community's steel producers have continued to maintain their export prices at a reasonable level.

Coal Export Prices

Under the terms of the Treaty, producers are not obliged to publish their price schedules for sales abroad, and these transactions are arranged individually between producers and consumers, dealers, or importers. Each contract is different: the tonnage, length of contract, and the producer's relations with the buyer all vary according to circumstances. Moreover, such contracts are often signed on the basis of bilateral agreements between the receiving country and the selling country. For these reasons, the price of coal exported by the Community differs according to whether the coal is being delivered under long-standing contract; or as part of a regular trade which the producer maintains by continuing favorable prices; or as individual sales specially arranged for particular purposes, even at the cost of higher prices. Any average based on such disparate sales and conditions would be entirely meaningless.

However, when business was slack, Community firms were obliged, if they wished to keep their traditional customers, to lower their export prices in some cases, in order to align them with the delivered prices of coal from the United States. This was done in 1954 and 1955, at particular hardship to Community collieries, where the structure of the mineral deposits does not permit either great mechanical exploitation or a rapid adjustment to the elasticity of demand. Furthermore, freight charges vary enormously according to the economic situation. During the current period of boom conditions, the Community has been striving, while bearing in mind the requirements of its own consumers, to keep up the traditional flow of exports, without taking full advantage of the possibilities of alignment with rising prices on the world market. One has only to compare the delivered price in Europe of American coal with that of Community coal to see how great this effort has been. Moreover, the tonnages exported by the Community have to be made up by increased imports of American coal at this higher price. This means that Community consumers are paying a considerable sum for something like three-quarters of Western Europe's total imports from the United States. The coal situation and that of coal prices represent a problem which is not confined to the Community or brought about by its existence, but is common to Western Europe as a whole.

Conclusion

The six member nations of the Coal and Steel Community enjoy certain benefits. They include: a common market of 162 million consumers; guaranteed supplies; fair trade; transport concessions, and access to readaptation funds and to capital funds at low interest rates for modernization. For these benefits, the member countries have been willing to surrender a certain measure of national sovereignty and to submit to the jurisdiction of common federal institutions. In this respect their situation can be compared to that of the 48 states of America vis-à-vis U.S. federal authority as represented by the Federal Trade Commission, the Interstate Commerce Commission, and other agencies that maintain conditions for a single, competitive United States market. Thus the ultimate answer to the nonmember nation which may resent "Little Europe" and the benefits accruing to its members is that it, too, can enjoy the same benefits by accepting the principle of common institutions.

But as the Association Agreement with Britain and the Consultation Agreement with Switzerland testify, full membership is not the only choice: many and varied forms of approach to the Community have been welcomed. Such arrangements have, in fact, provided important object lessons to planners of a general Common Market for Europe by demonstrating that more than one avenue towards economic unification exists. Perhaps the best example of such a lesson gained is in Britain's proposed "free trade area" plan for itself and other nonmember OEEC nations which would exist in close relation to the proposed Common Market of the Six.

In all events, like the Coal and Steel Community, the general Common Market is not envisaged as a closed economic system surrounded by high protective walls. A report on the new Common Market plan submitted in October to the Consultative Assembly of the Council of Europe stressed that it is hoped that "far from being at odds with the rest of the world, the combined strength of the nations' economies would, in spite of political and administrative barriers involved, be so handled as to contribute to a general reduction of trade barriers."

German Steel Prices Raised

West German producers of rolled steel products have announced an average price increase of 32 D-marks—equivalent to roughly $7.60—per metric ton, or 6½ per cent. "Extras" are also raised by approximately 2.6 per cent.

The increase is larger for open-hearth steel than for Thomas (basic Bessemer) qualities, amounting to 38.50 D-marks ($9.20) for the former and 26.50 D-marks ($6.30) for the latter.

The Chairman of the German Iron and Steel Trades Association, Dr. H. G. Sohl, told a representative of the West German financial journal *Handelsblatt* that German steel prices had remained comparatively steady since the opening of the Common Market in May, 1953, whereas the other members of the Community, and also Britain and the United States, had all raised their prices in recent months. He added that since 1953 the German steel industry has had to face increases of 30 per cent in scrap prices, 20 per cent in wages, and 15 per cent in the price of coal, if imports of American coal were taken into account. In addition, the price of blast furnace coke had been increased by 10 per cent on October 20th, and the landed cost of Swedish iron ore would also rise by some 10 per cent in 1957.

West German steel prices are still for most qualities comparable with French prices and below the Benelux levels.

Development of West German Steel Prices

(D-marks per metric ton)

	Merchant bars		Heavy Plates		Sheet	
	B.B.*	O.H.†	B.B.*	O.H.†	B.B.*	O.H.†
May 1953	403	421	453	478	524	549
June 1955—Oct. 1956	392	422	429	476	536	575
From Oct. 22, 1956	416	456	455	512	563	611

*B.B.=Basic Bessemer qualities
†O.H.=Open-hearth qualities

High Authority Surveys Long-Term Objectives

The High Authority has published its "General Objectives" for coal and steel. Listed in a 44-page document, they present a detailed picture of consumption and production, as envisioned by the High Authority, over the next decade for steel and the next 20 years for coal. They are based on two reports, one for coal and one for steel, drawn up by separate committees of prominent economists and industrialists appointed by the High Authority.

For steel, the High Authority foresees a Community output of 67 million metric tons in 1960, which will rise to between 75 and 82 million tons in 1965 depending on the state of economic activity. (Production this year is expected to reach approximately 57 million metric tons.) The report recommends that High Authority policy be aimed chiefly at reducing scrap consumption, notably by raising pig iron capacity, at expanding iron ore output in Western France, Lorraine, and Lower Saxony, and by economizing on coke use through encouraging ore enrichment and the development of new techniques for making steel without coke.

For coal, the High Authority forecasts that the Community's needs will rise to 362 million metric tons by 1975, from the present level of 278 million tons, with most of the increase in demand coming from coking plant and electric power stations. Coke production would rise from 77 million tons in 1955, to 89 million in 1960, to 101 million in 1965, and reach 117 million in 1975. The report makes recommendations for High Authority action to extend coal mining capacity, to increase the number of coal face workers, and better utilize the coal produced.

The forecasts are based on the fundamental assumptions that the Community's gross national product will rise by 3.5 per cent per annum until 1965 and by 2.6 per cent thereafter until 1975, so that by 1975 it would have doubled itself compared with the 1955 level; and that industrial production would rise by 4.9 per cent per annum until 1965 and thereafter by 3.3 percent until 1975, to reach 224 per cent of the 1955 level.

The report is being presented to the Consultative Committee and also to the Common Assembly, which will discuss it next February.

Our January issue will contain a detailed account of the General Objectives Report.