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European Coal and Steel Community

Report[1]
Committee on Economic Affairs and Development
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1. See Doc. 1 3 2 , 1 9 5 0 .

Explanatory Memorandum

In accordance with the instructions which it received from the Assembly on the 26th August, 1950, following the debate on a High Authority for Coal and Steel, the Committee on Economic Questions submits to the Assembly the following Report on the European Coal and Steel Community together with the draft resolution attached to the Report, which is submitted for approval by the Assembly.

In order to realise the scope of the Schuman Plan, one must first of all bear in mind the circumstances in which the proposal was made :

1. Since the end of the war, we have become increasingly aware of the restrictive character of national frontiers and the limitations which they impose upon industrial development. In order to balance our accounts we are obliged to develop new industries capable of conquering foreign markets and necessitating heavy investments, which can show a profit only when they can be spread over a very large number of single articles produced. We are in fact witnessing a revolt of productive forces against national organisations. Europe can survive only by the development of mass production methods and the conveyor belt system of manufacture, which in turn urgently demand the creation of unified European markets.

2. Endeavours have been made during the past few years to develop international trade on a international as well as a European scale. The O. E. E. C. has embarked upon a progressive freeing of the channels of trade, but is now coming up against insurmontable obstacles. It has with difficulty proceeded, not, however, in the case of all countries, from a 60 % to a 75 % elimination of restrictions in this respect, but will certainly not be able to go any further.

Successive conferences at Geneva, Annecy and Torquay, within the framework of GATT, have achieved multilateral agreements on the progressive lowering of tariffs; but in this case, too, it was realised at Torquay that the extreme limit had been reached. No agreement can be reached with low-tariff countries when, before making any new concessions, the latter demand that the customs duties of the other countries be brought down to their level. Moreover, tho experience of the Benelux countries, and the attempted Franco-Italian Customs Union, have revealed the difficulties inherent in any policy of limited Customs Union. In point of fact, the narrower, the framework of agreement, the more meagre arc the compensatory factors available and the greater arc the difficulties of adaptation. It appears as though, instead of instituting agreements between a few countries on all products, it would be wiser to reach agreement between all countries on a few products, beginning with the most important, viz., those of basic industries.

The idea therefore arose of preparing a European Customs Union confined initially to the products of coal and steel. Concurrently the steel section of the European Economic Committee at Geneva was engaged in study of developments in the industry. At the beginning of 1950 a Report by the Committee provided the preliminary analysis, albeit of a very superficial nature, as a result of inability to ascertain cost prices, but certainly very revealing as far as the industry's market was concerned. It showed the existence at that time of inadequate consumption of steel products, a state of affairs which was likely to lead to grave economic instability, the result of which was straightaway, a closing of the ranks of steel makers, as a prelude to the reconstitution of a European steel cartel. It was in an endeavour to anticipate the latter that, in January, 1950, the Economic Committee of the Assembly at Strasbourg adopted a Resolution calling for the establishment of a European Coal and Steel authority.

It was as a result of this development that the French Government took initiative with its proposal which subsequently became known as the Schuman Plan. The Conference of Experts of the six countries agreeing to take part opened on 20th June. An initial basic document was presented by the French delegation to the Conference on the 27th, and, after a little more than nine months' work, it finally resulted in the present texts, comprising a Treaty of 95 Articles and an appended Convention of 31 paragraphs, embodying transitional measures.

Let us now in turn consider :

a. The institutions provided for.

b. The steps taken to consolidate the market.

c. The measures relating to the cartel and to concentration.

d. The organisational measures..

e. The difficulties encountered and transitional measures contemplated.

1. INSTITUTIONS

There are 5 of these, namely :

a. The High Authority, which it would perhaps be better to call simply the European Coal and Steel Authority. It comprises nine members possessing a general competence of general economic ability in economic matters, having no interest in the coal or steel business and chosen by the various Governments jointly at the time of their election. Not more than any two of them may be of the same nationality. Initially, eight members will be appointed by the Governments jointly, and the ninth will be co-opted by the other eight. At the end of six years in office, there will be a general replacement of members, and eight of the new ones appointed by a majority of five-sixths of the Governments, the ninth member again being co-opted. Lastly, one-third of the members of the Authority will be replaced by the drawing of lots every two years, i. e. two members each time, one vacancy being filled by joint Govei'nment appointment, the other being co-opted by the members of the Authority. Lastly, provision is made for any Government to exercise the right of veto against any nominee put forward by the others, but such right of veto may apply only to two candidates. The powers of the Authority may take three forms. In certain matters it may take compulsory decisions and may in this respect impose sanctions, fines and restrictions, whilst in other fields it may make binding recommendations regarding their objective, but leaving to the interested parties and their Governments the selection of means calculated to achieve them. Finally, the Authority may, in any circumstances proffer views not binding on the Governments.

b. The Authority is assisted by a Consultative Committee composed equally of producers, workers and consumers. Its members will be appointed by the Authority from a double list submitted by the organisations representing each of these categories. The Committee therefore ensures consultation with members of the coal and steel industries and there is an obligation for it to be consulted before any decision or recommendation by the Authority.

c. The Authority will be responsible to an Assembly, the members of which will be appointed by 'universal suffrage' either directly by the people or indirectly by the Parliaments of the countries concerned. The choice of either method is left to each country. An annexed Protocol recommends that these representatives be chosen from within the Delegations at present belonging to the Strasbourg Assembly and that they be called upon to submit a Report to the latter. In the event of the Strasbourg Assembly revising its Statute and progressing beyond the consultative stage, the Schuman Plan Assembly might become the Committee on Industrial Production of the Strasbourg Assembly. The Schuman Assembly is due to meet in ordinary session on the second Tuesday in May until the end of June. It may meet in extraordinary session at the request of the majority of its members. It is entitled to lay down its own rules of procedure and to put verbal and written questions to the Autho-rithy. Lastly, it may with a two-thirds majority oppose the policy pursued by the Authority and oblige all its members to hand in their résignations. The representation of various countries in the Assembly is rather similar to that of the Strasbourg Assembly since the figure of eighteen adopted for France, Germany and Italy corresponds to those of the holders at Strasbourg. On the other hand, the Benelux representation is slighlty increased, since there are ten members for the Netherlands, ten for Belgium and four Luxembourg.

d. The Council of Ministers is a new body not contemplated in the initial French proposals. It in no way changes the general structure of the institutions and exercises no supervisory rights over the Authority. The latter remains a supra-national body constituting in effect a kind of European Federal Ministry for coal and steel, but it has become apparent that certain decisions taken within the scope of its terms of reference may result in considerable repercussions on the entire economy of the Member countries and that, conversely, certain decisions taken by Governments within the framework of those powers vested in them at a national level may have serious repercussions on the coal and steel industries. It was accordingly necessary to organise some kind of collaboration between the: federal and national powers. This the Treaty does by setting up permanent consultation between the Authority and a Council of Ministers. In the event of certain decisions it provides for suitable Council endorsement, either by straight or two-thirds majority, according to circumstances. It also provides the Committee of Ministers with the chance, in other cases, of resisting the Authority, granted that there is unanimous agreement on the subject. Normally the Council's expression of endorsement is adopted when a proposal by the Authority has been agreed to be an absolute majority of the members of the Council; if either France or Germany (the Treaty uses the expression : a country producing more than 20 % of the total value of coal and steel production) happen to be included in such majority, the latter is likewise deemed to have been achieved in the event of the votes being equally divided (3 to 3) if France and Germany find themselves on the same side.

e. The Court : lastly, the institutions set up comprise an International Court to which either undertakings or States may have recourse.The Court is similar to the French Council of State. A plea of nullity may be lodged in cases of incompetence, misuse of powers and infringement of the Treaty. The Court may only pronounce on the legal form without having to concern itself with the situation arising from economic facts. In exceptional cases, however, it may nevertheless do so, should a Government claim that a decision by the Authority is resulting in fundamental and persistent trouble in its country.

2. STEPS TO CONSOLIDATE THE MARKET

An essential function of the Authority is to organise a common market in Europe for the coal and steel industries.

1. Its scope covers solely Europe. Overseas territories remain outside, as their circumstances are to-day too different, but every home country sharing with its overseas territories preferential tariffs undertake to extend such preference to the whole of the community.

2. The Authority covers everything connected with coal, including coke, lignite and steel, as well as its raw materials (iron ore, manganese and scrap) and finished products of the iron industry.

Special steels will be covered a year later, with the exception of those with a high alloy content which could only be brought within the scope of the Authority by unanimous decision of the Council of Ministers.

The Authority normally has jurisdiction only over producers, it being incumbent upon the latter to ensure that the intermediaries through whom they deal also observe the rules of the Treaty. Articles 60 and 61, however, relating to cartels and concentrations apply to all distributors except retailors.

3. The Authority is not a commercial body; it docs not have to take the place of the management of undertakings in order to deliver an opinion on the legal administration of property; this will be cither public or private according to internal national legislation. The Authority must, however, see to it that, whatever system of property administration obtains, all consumers may have free and equal access to production and none be subjected to discrimination of any kind.

4. The Authority is required to achieve the progressive elimination of all Customs barriers and discriminatory practices which, at the present time, stand in the way of the creation of a consolidated market.

Free circulation of products between the six countries must be achieved, as well as the setting up vis-à-vis the others of a single Customs authority with a single tariff. This could be rapidly attained in the case of coal, for which Customs, duties are negligible. In the case of steel, there are two groups of countries, viz. France-Germany-Italy, where duty varies between 10 % and 30 %, and the Benelux countries, where they are only from 1% to 6 %.

Steps should be taken to ensure uniformity and negotiations should take place with other members of GATT. The ultimate average rate will depend on the concessions which other countries will be prepared to agree to compensation on other products. In the interim period the Benelux countries will maintain their reduced tariffs in respect to a tariff quota corresponding to their present imports and will levy on additional imports a higher rate corresponding to the average of the other countries of the community.

5. Transport facilities should in principle function as if there were no frontiers. The tariffs should exclude any discrimination between producers and buyers according to the origin and designation of the products, that is to say,the Plan provides for the generalisation of the principle at present invariably followed in national practice, viz. that of a slightly diminishing tariff, taking into account the total distance. The special rates at present applied at frontiers should be done away with as well as differentiations in tariffs according to the origin of the products.

Moreover, transport rates and terms should be brought into harmony with those of the railway, canal and sea transport on the basis of the actual costs to each of these modes of transport.

Discrimination should be done away with at the time the common market is set up. The subsequent harmonising of tariffs of the various means of transport should be carried out within two years by a conference of experts meeting to that end. The latter will doubtless arrive at the conclusion that the very existence of the European Authority for Coal and Steel must be at stake in solving the problems presented by the creation of a European Transport Authority.

6. The object of the Plan is to establish prices at the lowest possible level, to forbid any restrictive policy in resjiect of production, any practice of unfair competition and any illegal discrimination in business dealings.

To achieve this the Treaty stipulates the jjublication of price scales and establishes a number of first principles on the method of working out equivalent scales.

3. MEASURES RELATING TO CARTELS AND CONCENTRATION

It would, however, be vain to eliminate Customs duties, transport discrimination and other aspects of Governmental influence, if they were replaced by similar steps of a private nature. The Treaty will accordingly organise relations between the Authority and private undertakings and take special precautions in case of cartels and of technical concentrations.

1. The Authority is, above all, an instrument of information and consultation. It remedies the defect which was still inherent in the European Economic Committee at Geneva, namely that of lack of authority.

In order to obtain the information essential to a proper analysis of the market, the Authority can assemble all the necessary data to enable it to embark on a study of the development of markets, define general objectives, draw up advance programmes and assess the possibilities of relief of living and working conditions and the dangers which beset it.

In the event of refusal to supply information, the Authority can impose upon recalcitrant undertakings a fine rising to 1 % of annual turnover, and in case of recurring ill-will penalities amounting to as much as 6 % of the daily turnover for each day's delay.

The Authority must maintain professional secrecy in respect of all information thus obtained for the accomplishment of its mission, but it shall publish statistical returns of a comparative nature based on these data.

2. The Authority needs links between itself and the undertakings. The initial French proposal contemplated regional links going beyond national frontiers. It is perhaps to be regretted that this should not have been deemed possible. The Treaty provides only that the Authority shall normally have recourse to the existing Producers' Associations of national scope only, subject to their freedom of expression according within their workers and consumers.

This idea of sufficient freedom may prove interesting to watch in its development, for it may open the way to important alterations in the structure of the Professional Associations.

3. While, however, such Producers' Associations may be used as links between the Authority and undertakings, they may at no time concentrate to form a cartel. In point of fact, Article 60 of the Treaty forbids any agreement between undertakings and any concerted practice aimed at setting fixed prices, controlling production or restricting markets. Here, again, the Authority may impose sanctions. A secret cartel may be fined up to 10 % of its yearly turnover, and, should it not obey orders for its dissolution, it may be penalised to the extent of 20 % of its daily turnover for every day it fails to do so. The ultimate effect of Article 60 is that, after the Treaty has gone into force, the two large cartel organisations existing at the present time, viz. Le Comptoir Sidérurgique Français (French Steel Combine) and the Kohlen Syndihat (Coal Syndicate), will be dissolved. After particularly difficult negotiations, the German Government finally agreed to the proposed dissolution in a letter which lays down the periods within which it must be completed and the steps to be applied.

4. The problem is a somewhat more relative one in the case of a combine, particularly when the latter is integrated, i. e. incorporated in a single economic unit covering successive stages of production. In some cases this certainly represents an industrial advantage and may result in a lowering of cost prices provided the product of each of the units is exclusively intended for the following unit within the same undertaking and does not result in creating for the unit any undue advantage in its access to supplies or to its markets nor serve to make good any systematic deficit in one branch by the profits achieved in another. This is why Article 61 requires that, as a matter of principle, any new venture in the realm of a technical combine shall first of all be subject to prior sanction from the Authority. As regards former combines, thé only ones of any importance were constituted by the integrated undertakings of the Ruhr. In pursuance of Article 61, an agreement has been reached which breaks down a number of integrated undertakings of vast importance to those of more normal size compatible both with technical requirements and the rules of fair competition

4. ORGANISATION

It does not suffice to create a consolidated market as such consolidation raises, in turn, problems demanding organisational measures of a social, financial and economic nature :

1. In the social field precautions have been taken to ensure that organised competition operates for the benefit and not to the detriment of employees. This is provided for in Article 63, which has been drawn up in close liaison with representatives of the workers' trade union organisations and forbids any actual wage reduction as a means of economic adjustment, as well as abnormally low wages. Procedure governing the establishment of wages and social security is a matter for national legislation, but in pursuance of Article 63 the Authority may make recommendations to the undertakings and Governments concerned.

In the event of undertakings infringing the recommendations, the Authority may inflict upon them fines and penalties up to twice the amount of the saving in wages or manpower.

On the other hand, the creation of a consolidated market may occasion difficulties of coordination requiring increased mobility of workers. For this purpose, the Authority has available a re-adaptation fund enabling it, in the event of a manpower surplus arising in any district, to provide the workers concerned with sufficient money to cover their removal expenses and the building of workers' houses in other areas where manpower is in demand.

The Authority may undertake, in underdeveloped areas, the promotion of industrial means adapted to local demand and likely to constitute an outlet for the surplus manpower available. It must also meet the cost of the necessary professional training of workers and may provide new under takings which a loan in order to facilitate their starting up in business.

2. The creation of the consolidated market will certainly assist in the development of production and, for the best-placed undertakings, will result in their increased output. In order to meet increasing demand, the latter will have to expand their production and will need additional resources. In point of fact, the experience of the past few years has shown that new investments in coal and steel require considerable resources but they have, in fact, only been available by way of Governmental subsidies or by authorising especially high prices leaving a considerable margin of profit for new investments on a self-financing basis. It has become evident that the Authority, by virtue of its size, might procure capital on the international market on much better terms than individual undertakings. The text therefore provides that the Authority may make direct advances to undertakings developing their production within the framework of a general programme approved by the Authority and it may also guarantee loans which they negotiate on the market.

In order to procure the necessary resources the Authority will issue its own loans, which will be guaranteed by a levy of J. % on the total annual value of production.

The 1 % levy will cover not only the administrative expenses of the Authority, but also the aid provided by the re-adaptation fund, the investments fund and such advances as the Authority may grant to technical research and ;oint laboratories for both industries.

3. Lastly, it must be borne in mind that the steel industry is particularly sensitive to economic fluctuations and may easily pass from a period of extreme scarcity to one of apparent over-production.

In order to keep the market on an even keel, provision has been made for the following three measures to be taken, should the need arise :

i. The Authority shall undertake a continual analysis of the market and make available all the information it possesses on the development of supply and demand.

ii. In the event of a considerable reduction in overall demand, the Authority may, after conferring with the Consultative Economic Council and Committee of Ministers declare an economic crisis, ft may, in that case, be authorised to draw up regional quotas with a view to apportioning the previously ascertained drop in production to the various producers.

iii. On the other hand, in the event of a scarcity similar to that which we are beginning to experience at the present time, the Authority may be led to take steps restricting exports to countries outside the Community and setting up within the latter a system of distribution for coal and steel, as laid down in Article 69.

If, after conferring with the Consultative Committee, the High Authority finds that member countries are experiencing a grave shortage and that its normal operations do not enable it to meet it, it may apprise the Council of Ministers of the position, and, subject to the latter not unanimously opposing such action, may propose suitable remedial measures. In the absence of any such initiative of the Authority, the Council may be seized of it by one of the Members and may confirm, by unanimous decision, the fact of the existence of such a situation.

The Authority may then fix the maximum and minimum prices to be applied within the market and arrange for an equitable apportioning between undertakings of coal and steel supplies both in respect of consumption and exports and independently of the localisation of production.

This practice was followed to general satisfaction at the end of the war by the European Coal Committee and has continued to be that pursued by the International Authority of the Ruhr to the present time.

The latter will gradually disappear as its functions are progressively transferred to the new European Authority for Coal and Steel.

The exceptional measures applied to Germany following the war will therefore be gradually done away with in this respect and it will find itself on an equal footing with that of other countries, being subjected only to the same rules governing distribution applicable to all which may prove necessary in periods of shortage.

5. TRANSITIONAL MEASURES

During discussions on the setting up of the Coal and Steel Pool, a number of objections were raised, some of which opposed the principle itself, while others pointed out certain difficulties which were bound to arise in actual practice. In the first case, the objections could be met only by reaffirming the nature and principle of the Authority, while, to cope with the others, a Convention appended provides for various transitional measures.

5.1. Objections on principle

Some of these emanate from the employers, others are of national origin.

5.1.1. Criticisms by employers.

As in the past, they continue, to be raised in certain steel industry circles in particular. They charge the Authority with too much disregard of the professional viewpoint and with embarking on a general channelling of investments representing a policy of dirigisme at the European level, with destroying cartels and placing obstacles in the way of combines which in fact appear to them to be necessary.

It is curious to note that these objections have become stronger during the past few months. It looks just as if the steel industrialists who were last year, at a time when a steel production surplus was feared, ready to submit to, if not to agree, to the Schuman Plan, are now suddenly becoming aware of its drawbacks at a time when re-armament policy provide their products with a sure and profitable outlet.

It seems, however, possible to counter their objections :

I. It would be impossible to bestow the Authority's powers upon trade associations, as some employers demand, leaving to the European Organisation solely a right of control and veto in the event of abuse or deadlock.

It is difficult to see how this can be tolerated, for, in so far as the Authority is vested with prescribed powers at present exercised by national Government, such transfer could be made only to a higher international authority and not to a coalition of private interests. Moreover, while the Authority is subject to parliamentary control, the Assembly would have no jurisdiction over trade associations. This would, therefore, result in an important sphere of influence over the entire European economy being handed over to private groups. It appears preferable to maintain the view taken in the Treaty that the powers must reside with the international authority and that the latter will keep in touch with the professional associations, both directly and through the Consultative Council on which they are represented.

II. Vehement protests have been made against Articles 60 and 61 which aim at the splitting up of cartels now in existence. Some are essentially opposed to the dissolution of the German coal syndicate and Article 59 which, in the event of shortage, bestows upon the Authority, with the assent of the Council of Ministers, certain powers of allocation.

Here again, it seems reasonable to expect the Treaty to be approved. Before the war we suffered sufficiently from the systematic exploitation of the European market by an international steel cartel or by the exercise of a Ruhr monopoly in coke in order to avoid falling again into the same trouble. No private organisation or individual State should have the power to dominate the market, otherwise it would be all up with any idea of organisation of an international nature.

III. It will be observed that the directional powers bestowed upon the Authority are confined to the strict minimum essential to the smooth functioning of the market. In addition to its powers, in order to obtain the information necessary for its records, the Authority acts essentially through the investment funds it administers. Beyond that it confines itself to making proposals and suggestions.

The undertakings which do not follow them will remain in the position in which they are at present. They will be able to do what they like, but only at their own risk, without having the benefit of any financial assistance from the Authority. Only in serious cases or those of obvious overproduction or, conversely, of shortage is the Authority empowered to lay down quotas or work out a programme of allocation. This can be done only with the assent of the Council of Ministers. In a situation such as this, joint action is especially called for, if we are not to end up with the shameless exploitation of certain members of the community by others. It appears then that, in regard to these points as a whole, the arguments advanced must be rejected and the Treaty upheld.

5.1.2. Other objections have been raised by the supporters of national sovereignty.

They accuse the Authority of possessing arbitrary powers of bringing into being an all-powerful technocracy, which would have national enterprises at its mercy. It should again be mentioned here that :

i. The Authority is far from being a technocratic power, since it will in fact be responsible to a European Assembly, the latter representing on a smaller scale that which we are at the present time vainly endeavouring to achieve at the Strasbourg Assembly. Far from being limited to one month of meetings a year, it may meet in Extraordinary Session whenever it wishes at the request of the majority of its members. It can put to the Authority written and oral questions to which it is bound to reply. It may even overthrow it if it is not satisfied with the policy it pursues.

ii. It should be pointed out that the proposals drawn up by the Delegations to the Assembly make it impossible for a single country to block a decision by the Assembly or a group of two countries to secure for themselves alone the necessary majority. No national domination of any sort will be practicable, and, in point of fact, it is by going beyond the bounds of nationality on principes of general economic policy that Members of the Assembly will reveal their diversity in accordance with their political affinities.

iii. In the event of abuse of power by the Authority in matters affecting individual interests, appeal may be made to the Court. The-structure and working of the latter will be similar to those of the French Conseil d'Etat (Council of State), an administrative institution which in fact for more than a century has in all circumstances safeguarded the individual interests and freedoms. It appears that in this connection everything of legitimate national concern has been respected. To go further would be to renounce the very idea of a supranational Authority and relapse into a mere effort at co-ordination of sovereign and contradictory national policy which experience has shown can only end in useless anarchy.

5.2. It is, however, certain that transitional difficulties will not fail to arise

The Institution of a European Pool will certainly, and indeed sooner than some people think, facilitate a considerable development in coal and steel production, a better division of work, specialisation by undertakings and mass production resulting in lower cost prices and at the same time enable prices to be stabilised at a lower level and to raise the standard of living of the workers. However, as in- the case of any great technical progress, it may during a transitional period result in the closing of badly-equipped and technically inefficient undertakings, while imposing grave solutions involving temporary hardships and difficulties of adjustment in some countries. Such difficulties are exaggerated by everyone and interpreted in contradictory way. This has been very evident in public discussion during the past few months, especially in France and Germany :

In Germany the opposition has violently attacked the Schuman Plan, alleging it to be evidence of further capitulation, of handing over the Ruhr to France, opening up the south German market to foreign imports and confirming French policy in the Saar.

In France, similar and none the less vehement opposition has accused the Plan of opening up overseas territories to "the invasion" of German metallurgical products, destroying a market which, until then, had been available to French industry, doing away with a number of badly-situated mines to the advantage of those of the Ruhr, creating an impossible situation for certain steel undertakings and, finally, yielding up French policy in the Saar (whereas on this particular point the Treaty merely leaves things as they arc : the French Government signs on behalf of the Saar by virtue of the present Statute of economic union, without recognition of this Statute by Germany being involved and without implying any conclusive Statute which would have to be a matter for agreement at the time of a Peace Treaty).

In actual fact, behind all these vigorous protests lie two salient features : each is convinced that wages are higher in his own country than in that of his neighbour, that his technique is worse, his costs higher and that it is only the other who would benefit from a general consolidation of the market.

It is not possible scientifically to rebut all these attacks for it is not until the Authority has been able to assemble the necessary information and pursued the systematic study of cost prices and of their various contributing factors that it will be possible to ascertain the economic characteristics of a common market of this kind.

Judging from the very inadequate data available at the present time, it is nevertheless apparent that the differences between the six countries are much smaller than it is contended and that in order to obviate the dangers foreseen by some it will be necessary during the transitional period to provide for a number of special measures.

We have already seen those contemplated to ensure the maintenance the standard of living of the worker and in the event of movement of manpower compensatory allowances to provide for its re-settlement; professional training, building of new houses for workers and even the establishment in some districts of complementary industries to meet local needs.

In conclusion, here are the measures contemplated in both the coal and steel industries.

For coal.

An initial step of a general nature is provided for in paragraph 25 of the Convention. For the period of five years, the Authority will institute an adjustment levy on the production of coal in those countries in which average cost prices are lower than the overall average of Pool members. The adjustment levy will amount to 1.5 % of these receipts for the first year but will be reduced by 20 % m each succeeding year. These funds will enable the costs of countries to be covered in which production costs are – for the time being, above the average. Furthermore, the Governments of those countries are authorised to add subsidies equal to the amount of aid received from abroad.

In addition to these general measures, special steps are taken in the case of France and Belgium. Belgian coalmines are in a particularly unfavourable situation. They will have to embark Upon complete re-organisation involving the elimination of the more costly mines and necessitating investments in order to bring down cost price in others.

The Convention envisages that the net production in Belgium shall not have to undergo each year a reduction higher than 3 %. In the initial phase, the Authority will co-ordinate the price of Belgian coal in gradual stages with those Of the common market. It'will periodically fix the amount of compensation necessary for this purpose and the Belgian Government will be able to maintain or institute, under the control of the Authority, machinery allowing the Belgian market to be kept isolated from the common market. Not until the end of the transition period will Belgian mines be completely integrated into the consolidated market, whereas the integration of the steel industry will take place immediately.

The case of France is simpler. Its average cost prices remain higher than those of Germany, but the increase in output of French mines during the past two years, especially in Lorraine, has tended gradually to reduce the difference in cost prices. Problems, nevertheless, arise in other districts, for the French average cost price in an arithmetical average, covering extreme regional differences. While the mines of Lorraine are particularly prosperous and will strengthen the position of France in the common market to the extent that the investment effort of the past few years continues and even increase, and not be reduced on the pretext of economy, other regions have higher costs of production. Most of them are afforded protection by the distance and work chiefly for the local market, but the creation of a common market may result in large-scale regional movement of supplies. Ruhr coal, in particular, arriving by sea will cost less to reach Atlantic ports than that from the north.

With a view to meeting the temporary difficulties which might result therefrom, it is acknowledged that production in French mines should not have to undergo each year a reduction of more than 1 million tons, corresponding approximately to 1.75 % of production. For this purpose the working of a stabilisation fund may be supported by a special levy corresponding at most to 10 % of the increase in net deliveries from other suppliers, insofar as such increase represents a movement of production. This special tax will be devoted in suitable areas to lowering the price of certain coals produced by French mines.

At the same time, the French Government is authorised to maintain during the period of transition a national compensatory fund for the whole of the French coal industry.

For steel.

The difficulties are much smaller. The cost prices of the various industries are very near one another, France possessing at the present time a slight superiority in cast-iron, compared with Germany, but this superiority gradually diminishes in proportion to the stage of finish of the products and gives way to a light inferiority in respect of rolled steel.

The Convention does not contemplate the establishment of a stabilisation fund for the steel industry, but the Authority is empowered to limit, directly or indirectly, any net increase in deliveries from one area to another and may avail itself of the means laid down in Article 56 without, necessarily, in derogation from the said Article, provoking an immediate or actual crisis ; and lastly, it may, should the need arise, establish a system of production quotas: in other words, it appears that sufficient flexibility is given to the normal powers of the Authority to meet the needs of the steel industry during the transition period, except in the case of the Italian steel industry, for which transitional measures of adjustment are also contemplated.

Though these measures seem, generally speaking, satisfactory, a problem subsists nevertheless. During an initial period, it is true, the difficulties of adaptation to be anticipated may conceivably not become manifest, since Europe is committed to a new spell of economic expansion in which the demand for coal and steel will be such that even the least equipped mines or steel works will manage to do business.

The actual difficulties of adjustment may therefore become apparent at a later date, after the common market has been functioning for, say, two or three years. Moreover, new developments may occur in the international situation, giving rise to conditions other than those at present foreseen. For this reason, in its final wording, the Treaty leaves open the possibility of a subsequent revision, either at the request of the Authority or of one or other of the Governments concerned. Such revision may bear upon several Articles of the Treaty. It must be approved by the majority of the Council of Ministers, declared by the Court to be in consonance with the general spirit of the Treaty and finally be approved by the Assembly by a majority of three-fourths of the votes cast. This gives the Treaty the necessary flexibility to enable it to be adapted to new and unforeseen circumstances.

Conclusion :

Such are the essential stipulations of the draft Treaty adopted by the six Governments in Paris. True, we regret that Great Britain should not be a member, from the very beginning, of the international Pool.

It is to Le hoped that when it finds itself faced with a reality and no longer a mere principle, it will reconsider its position. In any event, it is certain that, on its part, the Authority will, immediately upon its constitution, enter into the necessary negotiations with Great Britain in order to establish, in common with the industries of our friends, a general co-ordination of effort.

Such as it is, the Treaty now unites in a common destiny the six nations of Western Europe. It creates the consolidated market and the co-ordinating institutions enabling them to work to eliminate amongst themselves any possibility of conflict and to establish the conditions necessary for a considerable increase in production and the standard of living.

It involves, as do all great enterprises, certain inherent risks, but the Treaty is, above all, an act of faith in the birth of a United Europe. It is the first step towards the creation of such a Europe and should be followed by other Treaties setting up analogous institutions for transport, electricity, agriculture, etc. ; and there should soon be envisaged, within the framework of the Council of Europe, the co-ordinating of these various institutions, by the operations of a veritable European political authority.

In point of fact, the battle for the ratification of the Schuman Plan, which is now on, is in substance the first great battle for Europe. Ranged against the Plan are narrow private interests, out-of-date habits and nationalist sentiments which may well become exacerbated before expiring.

If the Plan were not to be ratified, it is to be feared that the idea of a United Europe might receive a fatal blow. The ratification of the Schuman Plan, on the contrary, establishing for the first time in an especially important, if somewhat limited, field, a European Community and an Authority placed at its service will open the way to the birth of a free Europe capable of playing an important part in world affairs.

B. Draft Resolution[2]

The Assembly,

Welcomes the signature of the Treaty establishing a European Coal and Steel Community :

Notes with satisfaction the provisions for Unking the activities of the Community with the Council of Europe :

Strongly recommends the Parliaments concerned to ratify the Treaty as soon as possible,

Expresses the hope that, as soon as the High Authority is set up, Great Britain and other interested countries will examine the possibility of negotiating a working agreement with the Authority which will lead to the effective co-ordination of their respective activities.

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2. Adopted. See 10th Sitting and Res. 1.