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Report

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1. INTRODUCTION

1. This General Report on t h e activities of the European Coal and Steel Community is the first of the reports which, according to the provisions of t h e Treaty, the High Author i ty is required each year to publish and submit for discussion in t h e open session of t h e Common Assembly. I t is a report dealing with current measures and decisions already taken. The preparatory period ended on 10th February, 1953, with the establishment of t h e Common Market for steel, iron ore and scrap. Since that day, the High Authority has been exercising the powers which formerly were those of the national Governments and which were assigned to t h e High Authority by the six Member States of t he Community. In issuing its first decisions, the High Authority assumed its responsibilities as the executive body. With this report, it submits its entire activities to t h e judgement of t h e first European Parliament, in conformity with democratic and parliamentary traditions.

2. For purposes of greater clarity, this report is set out on the same lines as those adopted for the Report on the Situation of the Community presented to the Common Assembly in January, 1953. At it is published within only three months of the first report, it cannot throw fresh light on all the points previously dealt with, nor can it record decisive measures in all fields. As a matter of fact, the activities of the High Authority have been mainly concerned with the measures taken in preparation of the establishment of the Common Market and with the particular decisions relating to the Common Market for coal, iron ore and scrap. The major part of this Report, therefore, deals with those measures and decisions which are identified with the most important of the phases in the development of the Community to date. The other problems occupy comparatively little space; they will be taken up in subsequent reports.

3. On the date specified in the Treaty the High Authority gave notice to the six Governments of the coming into operation of the Common Market for coal, iron ore and scrap. Prior to t h a t date, the High Author i ty had requested the Member States to rescind the national regulations which hampered the movement of these products within the Community. As a result, import and export duties, quantitative restrictions in respect of imports and exports of these products and restrictions in respect of the issue of currency for the purchase of these products have been abolished. At the request of the High Authority, the Governments have also put an end to the most glaring discriminations in the field of transport and have terminated dual pricing practices. Finally, the system of compensation laid down in the Treaty to enable the Belgian and Italian coal-mining industries to adapt themselves progressively to the conditions of the Common Market has now been established.

4. The High Authority, in dealing with prices, had to take into account the existing market situation. The prices for ore were left entirely free. On the other hand, the High Authority fixed maximum prices for coal and scrap in view of certain supply difficulties existing in the Community and the risk of prices over the whole area of the Common Market hardening at the highest level. The system adopted leaves room for certain price adjustments in the interests of free competition, and ensures a progressive development of the Common Market. Particularly with regard to coal, a substantial number of the discriminatory measures introduced by the Governments of the six countries (subsidies, financial aid, special charges) have been done away with. However, in order to avoid the consequences of all too sudden changes in the prices and markets, which would be detrimental to the national economies and to the future development of the Common Market itself, certain arrangements have been temporarily allowed to continue for one year; they remain in force under the

constant supervision of the High Authority which will see to it that they are eliminated progressively as and when the special reasons, which at present justify their existence, disappear. With regard to scrap, the High Authority has initiated temporary measures in order to ensure, under its control, the péréquation payments on t h e price of t h e quantities imported by the Community.

5. The first stages in the establishment of the Common Market, which is to ensure the most rational methods of production at lowest possible prices, free access for all consumers to all sources of production, and the improvement of living conditions throughout the Community, have thus been completed smoothly.

2. CHAPTER I - The Institutions of the Community

6. During these past months, the European Coal and Steel Community, its institutions, the enterprises which come within its jurisdiction, and all other organizations and persons which are participating or interested in its activities, have continued their efforts to create the first common market in Europe within which six European countries, i. e. Germany, Belgium, France, Italy, Luxembourg and the Netherlands, have agreed to put an end to their discords and to unite in the interest of maintaining peace, and contributing towards economic and social progress. For the first time in their history, these countries have assigned part of their sovereignty, ?which hitherto they had exercised separately and against one another, in the coal and steel industries, to common institutions. These in turn have carried out their activities in close co-operation and in accordance with the tasks assigned to each one of them under the terms of the Treaty instituting the Community. The executive of the Community which under the Treaty has been charged with the task of attaining the objectives defined by it, namely the High Authority, has prepared, and issued, the decisions which are necessary in connection with the progressive establishment of the Common Market for coal, iron ore and scrap. At the moment, the High Authority is finalizing the measures through which the Common Market, comprising over 155 million consumers, is to be extended to cover also steel. It has proceeded with the collection of the first European tax, i. e. the levy on the production of the Community. It has received the representatives accredited to it by those countries which have established relations with the Community. It has maintained collaboration with the various international organizations and with the member countries of the Council of Europe. The procedure adopted by the High Authority for the prosecution of its activities enabled it to give due consideration to the apprehensions of all concerned, and to be guided by their experience and knowledge. The producers, workers and users, as well as the parliamentarians, the Governments, and administrations of the Member States have identified themselves with the creation of the new conditions under which their common interests are now being administered, and which will make possible the expansion of the production and the improvement of living conditions. While they assisted the High Authority in the fulfilment of its tasks, they also co-operated in t h e efforts made to find the tangible solutions required for the problem of gradually removing the barriers and discrimination between the nations and of pooling their resources on an equal footing. Together with the members of the institutions of the Community and their officials, they have been, and are still, taking an active part in this b i r th of a united Europe, each one of them contributing his share towards the integration of t h a t sector of the economic life of his country with which he is personally concerned. It is by this close co-operation that their daily tasks are determined, thus enabling them to align the process of transformation in the light of their factual knowledge. In point of fact, all important decisions taken by the High Authority were preceded by regular consultations, some of which are expressly laid down in the Treaty, while others were taken on the High Authori t y ' s own initiative. Since entering upon its activities, the High Authority has consulted more than 500 persons?producers, workers, users and dealers?in meetings with committees or special working parties, as well as at meetings of the Consultative Committee. The co-operation between the High Authority and the individual Governments was rendered possible not only by the participation of Government experts in the work of the Committees, but also by several sessions of the Special Council of Ministers. As for the parliamentary elements, the Committees set up by the Assembly have held working sessions with the representatives of the High Authority.

7. This knowledge and this public elucidation of the activities of the Community, as regards the motives for its establishment, its specific methods of working, its scope and its objectives have been made available also . to those countries which so far have not yet linked up with the Community. The High Authority has explained the measures it has taken to t h e Committee on Economic Questions of the Consultative Assembly which consists of parliamentarians of the fifteen Member States of the Council of Europe. Through the medium of the Joint Committee, a mutual exchange of information is taking place between the High Authority and the British Government with a view to establishing an intimate and lasting association between Great Britain and the Community; this has been developed in line with the progress made by the High Authority in the fulfilment of its tasks. The Committee set up by the High Authority for the purpose of inquiring into questions of taxation in relation to prices was actuated by the same spirit in calling upon several experts from countries outside the Community.

8. The Common Assembly which, in the course of the ordinary session opening on 12th May, will express its opinion on the activities of the High Authority, held a brief session in Strasbourg on 11th March to determine its estimates of expenditure. Since the last session, the Committees of the Assembly have continued with their work. The Common Market Committee met in Luxembourg on 8th February, under the chairmanship of M. Paul Reynaud, for an exchange of views with the High Authority on all the questions concerning the establishment of the Common Market for coal, iron ore and scrap. The Accounts and Administration Committee met in Luxembourg on 20th and 21st February under the chairmanship of Mr. Martin Blank, and the Transport Committee on 19 th February under the chairmanship of Mr. Schoene. Finally, the Committee dealing with Social Problems under the chairmanship of Mr. G. M. Nederhorst, as well as the Committee on Rules of Procedure, under the chairsmanship of Mr. André Mutter, met in Strasbourg on 11th March. A further meeting of the Committee dealing with Social Problems is to take place in Luxembourg on 14th April. The Committees dealing with the Common Market, Investments, Transport Problems, Accounts and Administration and Rules of Procedure, will also meet again between now and the opening of the ordinary session of the Assembly.

9. At the request of the Foreign Ministers of the member States of the Community, the Ad Hoc Assembly, which is, in fact, the Common Assembly with the inclusion of several additional members, undertook, in September 1952, the preparation of the draft of a treaty instituting a European Political Community. This draft was prepared by the Constitutional Committee set up by the Ad Hoc Assembly. During the session of the Ad Hoc Assembly at the beginning of March, its President officially handed to the six Foreign Ministers on the appointed day, 9th March, the draft providing for the establishment of a European Political Authority, the formation of a European Parliament consisting of two Chambers, one of which will be formed as the result of direct election, and the integration of the European Coal and Steel Community with the European Political Community.

10. The Court of Justice, charged with the task, within the Community, of ensuring that the powers of the various institutions are duly kept distinct and that the laws of the participating parties are duly observed, has finally been constituted. The Governments have appointed the second Court Advocate. The Court has designated its two presiding judges and its clerk. The Court has now established its rules of procedure. They were published in the Official Gazette of the Community of 7th March, since when it has been possible to bring before the Court actions such as are provided for in the Treaty.

11. The Special Council of Ministers whose function it is to bring the activities of the High Authority in line with those of the Governments responsible for the general economic policy of the Member States, met on 15th and 16th January, 2nd and 7th February, as well as on 6th March, 1953. In the course of these meetings, the Council of Ministers was consulted by the High Authority on a number of specific points provided for in the Treaty. There was also a comprehensive exchange of ?views on all the questions concerning the Community, especially with regard to the establishment and the operation of the Common Market. At the last meeting, the Council of Ministers, on the proposal of the High Authority, fixed 1st May, 1953, as the date on which the Common Market for steel will be established. Furthermore, the Governments of the six countries and the High Authority have agreed on t h e measures to be adopted in matters affecting the commercial and customs tariff policy towards third countries within t h e framework of t h e Convention containing the Transitional Provisions (paragraphs 20 and 21).

12. The Consultative Committee was finally constituted on 15th January. It held its first meeting on 26th January, and subsequently met again from 3rd to 5th February and on 19th February. In accordance with the terms of the Treaty, it was consulted by the High Authority. Moreover, the High Author i ty kept the Committee informed of all the decisions to be taken in connection with the establishment of the Common Market for coal, iron ore and scrap. Throughout its work, the Consultative Committee has provided evidence of its competence and of a spirit of co-operation which have been most helpful to the High Authority in t h e fulfilment of its tasks.

3. CHAPTER II - The external relations of the Community

13. The European Coal and Steel Community constitutes a new type of entity in the international sphere. That is why, for instance, in its relations to G.A.T.T. (General Agreement on Tariffs and Trade) it has been regarded, since 10th November, 1952, as a single Contracting Party, having exactly the same rights and the same obligations as any other Contracting Party. Furthermore, on 7th February, 1953, the Council of the O.E.E.C. (Organization for European Economic Cooperation) also recognized the fact t h a t the Community constitutes a single entity. And, moreover, several Governments have appointed diplomatic representatives to the High Authority. During the past months the Community has extended and intensified its external relation. It neither is nor intends to be an autarkic or a restricted Community. Among the six countries which established it are included some which are producers of coal and steel, and others which are consumers of these

products. Its limits arc not fixed by the Community, but by the very countries which, for the moment, are not linking up with the Community. It depends solely upon them whether these limits are extended, and whether the barriers which separate the countries of Europe, and which the Community is anxious to eliminate, are progressively, and to a still wider extent, abolished.

Association with the United Kingdom

14. The Permanent Delegation ? of the United Kingdom in Luxembourg, headed by Sir Cecil Weir,' has continued, in close collaboration with the High Authority, to examine the conditions and methods required for the consolidation of an "intimate and lasting association"?to quote the terms used by the British Government? between the Community and the United Kingdom. The precise forms and the future development of this association cannot be finally worked out until the Common Market for Coal and the Common Market for Steel have become a practical reality. It is, first of all, for the High Authority to act. The establishment of the Common Market for Coal and Steel will make it possible t o proceed from this preliminary stage to the elaboration of the appropriate forms of the ultimate association. It is no good, and can serve no useful purpose to ask the British to enter into abstract commitments. On a concrete basis, however, the shape and form to be given to the joint actions and institutional links, which the High Authority wants to see established on as broad a basis as possible, can be worked out progressively by merging the common responsibilities, rights and obligations on a basis of equality. This method of procedure was particularly stressed by the President of the High Authority on 28th March, 1953, at a meeting of the Committee on Economic Questions of the Consultative Assembly of t h e Council of Europe, and received the full approval of the British Members who were present : Lord Layton, Liberal, Mr. Robert Boothby, Conservative, and Mr. Bottomley, Labour.

Relations with other European countries

15. The relations with the other European countries have also been further developed. The advent of a Swedish Delegation, which was accredited to the High Authority on 10th December, 1952, has made it possible to maintain close contact between Sweden and the Community. The Governments of Norway, Switzerland and Denmark have also considered it expedient to establish permanent relations with the Community, and have sent delegations to the High Authority in Luxembourg, all of which have been instructed to ensure a close and effective co-operation between their countries and the Community. The Norwegian Delegation, headed by Ambassador Arne Skaug, was received in Luxembourg on 27th March, 1953, and the Swiss Delegation, led by Mr. Gérard Bauer and Mr. Hermann Hauswirth was received on 1st April; the Danish Delegation is to be received on 17th April.

Relations with the United States

16. Immediately upon taking office, the new United States Administration established contact with the High Authority, to which an American Delegation had been appointed as far back as September, 1952. Secretary of State John Foster Dulles, accompanied by Mr. Harold Stassen, Director of the Mutual Security Agency (M. S. A.), concluded their European tour with a visit to Luxembourg where he was officially received on 8th February. He had a talk with the President of the High Authority. In an address to the Common Market Committee of the Common Assembly, Mr. Foster Dulles declared that after visiting the six European countries, he was pleased to find t h em united in Luxembourg for the purpose of accomplishing a clearly defined economic task of considerable scope, namely that of " substituting their historic rivalries by a fusion of their essential interests with the object of establishing a closely-knit union on a broader basis ". On 18th February, the President of the United States made the following statement in Washington : " In view of the importance which the United States of America a t t a c h to the progress t h a t is being made in Europe in respect of the development of the Community uniting six countries, the President has instructed former Under-Secret a r y of State David K. Bruce to represent the United States at the seat of the European Coal and Steel Community, and to carry out the functions of an observer of the United States with the Interim Committee of the European Defence Community... " Mr. David K. Bruce presented his credentials to the President of the High Authority on 3rd March.

Co-operation with the various international organisations

17. The relations between the Communi ty and the international organisations have also been strengthened; in particular, cooperation with the Council of Europe. In January, 1953, arrangements concerning this co-operation were worked out jointly by the officers of the Consultative Assembly of the Council of Europe and of the Common Assembly of the Community. They were made public in statements made by Lord Layton and M. Jean Monnct. The President of the High Authority proposed to send a

representative to take part in the debate on the Annual Report of the High Authority when this is submitted to the Consultative Assembly of the Council of Europe for examination. Furthermore, representatives of the High Authority will be able to take part in the discussions on matters of mutual interest within the various committees of the Consultative Assembly. Finally, it has been arranged that the members of the Common Assembly and those members of the Consultative Assembly who are not members of the Community shall hold an annual meeting, and that the High Authority shall take part in this meeting for the purpose of examining any questions that may be raised. The Committee on Economic Questions of the Consultative Assembly met for the first time in Luxembourg on 28th March, 1953, under the chairmanship of M. Federspiel. At this meeting, the President of the High Authority emphasized how anxious he was to establish close relations between the Community and the Council of Europe, while bearing in mind the different characters of the two institutions. The one, he said, was an entirely new typé of entity, with sovereign powers within those limits of its jurisdiction assigned to it by the six countries and based on the conception of a fusion of sovereign rights; the High Authority constitutes the Executive, and the Common Assembly its Parliament; The other organises general co-operation among the nations of Western Europe which belong t o it, but continues to be based on the conception of national sovereignty. The Community?the President of the High Authority added? will not develop properly unless all its measures are made public and explained in public, not only to the peoples within the Community, but also to those who do not belong to it, which applies particularly to some of the Member States of the Council of Europe. For the examination of the present report the two Assemblies will hold a special joint session.

18. With regard to the relations with the Organisation for European Economic Cooperation (0 . E. E. C.) the system of liaison provisionally adopted has made it possible to solve the common problems which presented themselves, especially that of coal allocation, but it was inadequate for the solution of problems to be expected after the establishment of the Common Market. By the Council's decision of 24th March, 1953, a new form of relationship was adopted. The High Authority was invited to assign an observer to the Council, the Executive Committee, and to the various technical committees, to take part in all discussions which i t might consider useful to its own work.

19. Contacts have been established between the High Authority and the Economic Commission for Europe of the United Nations (E. C. E.) on the one hand, and with the International Labour Organization (I. L. 0.) on the other, with a view to obviating, as far as possible, a duplication of work, as well as for the purpose of exchanging information.

4. CHAPTER III - State of the markets for coal, iron ore and scrap

20. Before proceeding to consider market conditions and the production of coal, iron ore and scrap, these conditions must be related to an outline of the general economic situation of the Community.

21. Economic activity has undergone no marked change within the Community during the last six months. Generally speaking, trade conditions have been maintained. The seasonal increase in economic activity, which was a feature of the last quarter of 1952, was followed, in January and in February, by a setback which was also of a seasonal nature.

Table no. 1 General Index of industrial production within the Community (excluding building) (Index on the basis of 1949 = 100)

Years	Germany	Belgium	Franco	Italy	Luxembourg	Netherlands	Saar	Whole of the Community
1938	134	82	82	92	76	79	113	102
1950	126	102	101	115	105	110	106	113
1951	151	117	114	131	129	115	128	130
1952	162	115	119	133	129	116	133	136
1952								
jan.	152	116	124	133	133	113	137	134
Oct.	176	119	121	147	129	123	146	144
Nov.	186	120	122	135	128	129	133	146
Dec.	172	115	119	138	128	122	130	140
1953								
Jan.	158	112	119	137	123	124	135	135
Feb.	161	119	120	123	135[1]			

During these first two months of the year, industrial production remained at the same level as in the previous year. Developments were not uniform in every economic sphere. Whereas progress was general as regards the production of consumer goods, the output of capital goods, which had been maintained at a very high level until the middle of 1952, registered a decline during the last three months.

These tendencies became more definite with the easing of conditions which had set in during the previous autumn and which continued in the coal and steel markets of the Community. Steady conditions were reached and have, to a considerable extent, been maintained.

22. The development of economic activi ty has not been the same in all the six countries which constitute the Community. Although an approach to standardization was the general rule, the extent of the degree of adaptation differed widely from one country to another. In Germany, the Netherlands and Italy, the level of production exceeded t h a t of the previous year, whilst the index of industrial production in the three other countries was below the level reached at the beginning of 1952.

23. The number of unemployed in industry, taken as a whole, increased during the winter months and by January, 1953, was 5 % greater than in January, 1952; provisional data, however, indicate that by March the amount of unemployment had already been somewhat reduced. The steady increase in the manpower available is not due solely to the normal increase in population, but is also caused by immigration of workers, particularly into Western Germany. The present employment situation has enabled the shortage of labour, which had been felt for some time in the coal mines of certain countries, to be overcome. The number of miners employed underground increased, in the countries of the Community, by 6,000 units in comparison with the previous year; there are, however, considerable differences between the various countries. The employment situation in the iron and steel industry has remained unchanged during recent months.

24. The prices of raw materials on the international markets, which had remained steady from the end of January to the end of March, showed a further fall at the beginning of April.

25. During recent months, the external trade of the Community with third countries has been subject to the unfavourable influence of the economic situation, which has deteriorated in overseas territories, particularly in countries which produce raw materials. As an offset to the decline in economic activity in these territories, there has been a persistently favourable development in the United States of America, where economic activity has become stabilized at a high level. Increased competition in export markets and restrictive measures taken by certain countries in order to adjust their balance of payments have prevented the external trade of the Community, in 1952, from reaching a greater volume than in 1951. From the incomplete data which are at present available, the external trade would appear to have decreased still further during the first two months of 1953. Although it would be premature to conclude from these facts that there is any marked set-back in external trade, the situation does, nonetheless, constitute, for all the member countries, the most unfavourable factor in the economic situation of t h e Community. On the other hand, the terms of trade for every European country have shown a further improvement over those of the previous year. The total adverse trade balance of the countries of t h e Community, which amounted in 1952 to 1.39 thousand million dollars (accounting unit) was of the same order of magnitude as in 1951. The foreign trade deficit with the dollar area decreased, during the same period, by about 47 million dollars. External trade with third countries (i. e. countries other than those in the dollar area) resulted in a credit balance of 388 million dollars in 1952 as compared with 147 million dollars in 1951.

26. In brief, the economic situation of the Community presents a picture of increasing stability. Government investments are still very large in most countries, and are likely to show a further increase in 1953. This increase, however, will undoubtedly be lower than that which was a feature of 1952. The tendency towards a reduction of industrial profits, and the markedly higher level of wages, obviously reduce the ability of industrial concerns to finance themselves from their own resources, which had been a favourable factor, in recent years, in the expansion of economic activity as regards investment. Within the Community, the attitude of caution with regard to investment has been still further strengthened by the fact that both industry and trade were awaiting the decisions of the High Authority concerning the fixing of the prices of coal, iron ore, and scrap, as well as the future development of steel prices. Caution also prevails in the consumer sector. The attitude of reserve shown byproducers, traders and users is to some extent in contrast with the need for investment which exists in many fields. This contradiction is due, primarily, to the fact that the reduction in the probable rate of profit calls for a more thorough study of the cost of investment. As a result, the provision of adequate financial means has become increasingly important for the maintenance and development of industrial investment.

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1. Estimates.

27. Export developments deserve special attention both as regards the iron and steel industry and the corresponding processing industries, which exert a profound influence on the steel trade within the Community.

4.1. State of the coal market

28. For the fourth quarter of 1952, the balance between the tonnage available and the overall requirements of the Community, as regards coal, shows a definite improvement by comparison with previous quarters. In order to meet their full requirements, the countries of the Community have been obliged to import relatively large quantities of coal, which reached their maximum during the fourth quarter of 1951 and have since become smaller, quarter by quarter. During 1952, total imports from the United States amounted to 16,356,000 tons, including 9.5 million tons supplied to the coking plants. The proportion of coking coal in the total American imports has steadily increased, and at the beginning of 1953 it comprised virtually the whole of these imports.

Table n° 2 Coal balance within the Community (in millions of tons)

	1951 4th qrtr.	1952 4th qrtr.		1951 4th qrtr.	1952 4th qrtr.	
Consumption.. .	58,5	55,6	Tonnages available from own resources. .	51,6	53,3	
Exports to third countries . . .	1,1	1,1	Imports from third countries :			
Increase in stocks at pit-head[2]. .	0,7	1,1	United States. .	7,2	2,5	
			Great Britain	0,6	1,4	
			Poland . . .	0,6	0,4	
			Others . . .	0,2	8,7	4,2
Total. .	60,3	57,8	Total. .	60,3	57,8	

The considerable increase in the stocks at the pitheads, which rose from three million tons at the end of March, 1952, to 8.7 million tons at the end of March, 1953, consisted mainly of long-flame coal. The stocks held by consumers have also increased.

Tableau n° 3 Imports of American coal Importation de charbon américain by the Community dans la Communauté (in millions of tons)

Fourth quarter 1951 - 7,2	First quarter 1952 - 6,9	Second quarter 1952 - 3,5	Third quarter 1952 - 3,4	Fourth quarter 1952 - 2,5

29. Demand for coking coal continues at a high level, but there appears to be some improvement in the supply situation of the member countries, as a result of tonnages which became available in Belgium and the deliveries arranged by German exporters within the Common Market. As a result of discussions with the High Authority, the delegates of the six Governments and the representatives of the producers have undertaken to export to third countries tonnages equivalent to those of the first quarter.

Table n° 4 Throughputs by the coking plants in 1952 (thousands of tons)

Fines 0-10mm	Nuts	Screened	American coal	Total	%	
I . Coal imported from Europe						
Bituminous Coal. . . .	57.270	5.,582	1.157	?	64.009	69,3

2. Stocks at end of 1951 : 2.3 million tons. Stocks at end of 1952 : 7.1 million tons.

Semi-bituminous or 3/4 bituminous Coal. . . .	3.210	36	12	?	3.258	3,5
Lean Coal .	256	1	?	?	257	0,3
Long-flame gas Coal. .	11.437	3.042	895	?	15.374	16,6
II. American Coal . .	?	?	?	9.464	9.464	10,3
III. Total. . . .	72.173	8.661	2.064	9.464	92.362	100

In these circumstances, the High Authority decided that it would not put into application the system of allocation laid down in Article 59 of the Treaty, provided that the producers within the Community actually deliver the minimum tonnages which are stated to be available in the schedules which they have submitted, and on condition that exports of coking coal and of coke to third countries do not exceed t h e level reached during the previous quarter.

30. In order to attain a balanced market in the future, and to secure a progressive reduction in the imports of American coal, the rational use of coking coals must be developed as far as possible, and a wider range of different grades must be utilised for coking purposes. The High Authority has set up a Working Party for this purpose. Preliminary technical, economic, and commercial investigations have indicated that it would be impossible to overcome the shortage of coking coal in the near future by increased production of this class of fuel. It has, consequently, become necessary to endeavour, on the one hand, by utilizing a wider range of different grades for coking purposes, to make use of part of the coal in stock and, on the other hand, to replace by long-flame coal the bituminous coal which is at present being utilized as fuel in many areas of the Community.

31. In 1952, production increased by comparison with 1951. This increased output, which was accompanied by a relatively greater increase in the production of coke, was largely responsible for the casing of the market situation which has been observed in recent months. During the first twelve weeks of 1953, coal production has shown a further slight increase, and amounted to 57.6 million tons, as compared with 56.9 for the corresponding period of the previous year.

Table n° 5 Production of the coal industry of the Community (thousands of tons)

Products	1938	1951	1952	Percentage increase in 1952 over 1951	Production in 1952 in per cent of that in 193S
Hard coal .	242.402	231.439	238.879	+3,2%	98,5%
Coke[3]...	56.689	56.563	62.292	+10,0%	109,9%
Hard coal briquettes..	15.786	15.015	15.325	+2,1%	97,1%
Lignite. . .	70.385	86.234	86.441[4]	+ 0,2%	122,8%
Lignite briquettes (BKB). . .	13.327	15.997	16.476	+ 30%	123,6%
Semi-coke of lignite. .	680	691	701	+ 1-4%	103,1%

32. Taking the Community as a whole, this increased production during last year is attributable rather to an increase in the number of workers t h a n to an improvement in productivity.

3. Coking plants at mines and stool works and independent coking plants.
4. Western Germany is responsible for 9G % of the lignite output

Table n° 6 Number and output of underground workers employed in the hard coal mines of the Community

	Average number of underground worlters (units)	Output of underground worker per shift (in kilos)	
	1938	1951	1952
Germany. . . .	253.600	310.300	312.400
Belgium	104.700	114.600	110.400
France	158.800	166.300	162.900
Italy	10.800	8.500	7.900
Netherlands . .	20.700	27.900	29.700
Sarr	32.800	38.600	38.600
Community	581.40	666.100	683.900

In 1952, hard coal production had, in actual fact, almost reached the 1938 level, but the output at the coal face was still 12.7% below that of pre-war : this difference would have been still greater if France and the Saar had not increased their output by 10.4 % and 3.4 % respectively.

5. Excluding Italy.
6. Excluding Italy.
7. Excluding Italy.

The greater depth of the pits, the increasing divergence between the gross tonnage mined and the saleable production, as a result of mechanization, and abnormal fluctuations in the number of workers, are t h e chief causes of t h e fall in output since 1938.

33. The state of the market, on the one hand, and the current level of productivity, on t h e other hand, indicate the problems which should be the concern of the hard coal indust r y in the immediate future. The increase in t h e tonnage mined should have as its main objective the expansion of the Community's resources in bituminous coal in order to obviate the need for importing American coal. Furthermore, an improvement in productivity is a point of great importance. Such improvement has become a particularly urgent matter since working hours have recently been reduced in certain coal-fields. Attention should be directed mainly to the following questions :

33.1. Concentration of working pits;

33.2. Concentration of undergound workings;

33.3. Modernization and renewal of surface installations ;

33.4. Development of recently opened pits and the sinking of new shafts;

33.5. Construction of houses for miners.

Apart from the modernization of dressing plants which is necessary in many places, in order to improve the output of saleable coal, the renewal of surface installations should, above all, be concerned with the electrical power plant at the pits. By this means the actual consumption in kilowatthours would be reduced, and only coal of power quality would be utilised instead of t h e saleable grades which are still frequently burned at the present time. Considerable tonnages of highgrade coal ? particularly of bituminous coal ? would thus become available for sale. Furthermore, in order to ensure the maintenance of the Community's coal reserves at the same level, the development and sinking of new shafts with a large productive capacity and a high rate of output should not be overlooked. They should be included in the programmes covering the immediate future, on account of the length of time required for carrying out the necessary work.

4.2. State of the iron ore market

34. The Community is unable to meet the whole of its requirements in iron ore from i ts own production. Considerable differences exist between the various countries of the Community. In France, needs are fully met by home production; in Italy, Luxembourg, and Germany, production constitutes only about half the consumption; t h e Netherlands, on the other hand, is entirely, and Belgium is almost completely, dependent on foreign supplies. The sources from which imports are obtained also differ. Belgium and Luxembourg receive a considerable part of their supplies from the Lorraine iron ore mines, while the Netherlands obtain theirs from Western France. Hitherto, Germany has only been able to obt a in a very small proportion of its iron ore imports from countries belonging to the Community, while Italy, on account of transport costs, has stopped all iron ore imports. In 1952, approximately 28 % of the iron ore requirements of the Community came from abroad, mainly from Sweden and North Africa. Within the Community itself exports were made principally from France and from Luxembourg to Belgium and to the Saar. This is due partly to restrictions which arise naturally from transport costs, and partly to the intimate relations (shareholdings or long-term contracts) which exist between the Community's iron mines and their customers.

Table n° 7 Sources of the Community's supplies of iron ore in 1952 .[8] (%)

	Home production	Imports from Community countries	Imports from third countries	Total
Germany . .	44	4	52	100
Belgium. . .	1	62	37	100
France-Sarr.	98	0	2	100
Italy	54	?	46	100
Luxembourg.	50	37	13	100
Netherlands .	?	15	85	100
Community:	59	13	28	100

8. Calculation on the iron content.

In contrast to the scrap-iron market, the iron ore market is characterized by a cert a in degree of stability; it is much less sensitive to price fluctuations, and any variations in tonnages available are spread over longer periods.

35. In recent years, iron ore production in the Community has steadily increased. It rose by 40 % between 1949 and 1952 ; in January, 1953, the index (on the basis of 1949 = 100) reached the level of 151 (1929 : 147; 1938 : 108).

36. Imports by Community countries from third countries are now increasing only at a much slower rate, thus corresponding to developments in the general economic situation.

4.3. State of the Scrap-iron Market

37. The scrap market, which is well known to be extremely sensitive to any changes in the general economic situation, has undergone considerable fluctuations, in recent years, in the Community countries.

As a result of t h e war, there has been a marked increase, since 1945, in the tonnage of scrap-iron recovered :

Table No. 8 State of the scrap-iron market in the Community (estimates in thousands of tons)

Years	Tonnage recovered[9]	Imports	Exports	Tonnages used by blastfurnaces and steel works
1937[10]	13.700			13.970
1948	12.308	530	681	12.157
1949	16.956	741	2.700	15.007
1950	19.632	950	3.318	17.264
1951	19.276	972	1.025	19.223
1952[11]	20.276	870	637	20.509

In 1949 and 1950, t he net resources of the Community were only slightly increased, on account of large German exports to Great Britain.

The market rise in demand which occurred when steel production was increased, was met initially by a considerable increase in iron scrap imports and, since 1950, by a reduction in exports, particularly from Germany.

During 1950, the heavy demand for steel which followed the outbreak of war in Korea gave rise to a very sharp increase in t he prices of scrap, owing to there being insufficient supplies of iron ore. Some countries placed restrictions on exports and consumption, and also fixed prices. As a consequence of this, there were, at the beginning of 1952, considerable differences in prices between the various countries.

38. Since t h e middle of 1952, t h e exchange of goods has followed the lines which were characteristic of pre-war trade between the Community countries; 1952 ended with an import surplus of 230,000 tons of scrap-iron, compared with 290,000 tons in 1937. Furthermore, scrap imports by Community countries decreased by about 100,000 tons from 1951 to 1952. This reduction in purchases is in close relation with the reversal of t h e trend of scrapiron prices. After reaching a maximum in the spring of 1952, a decline was observed in the Community countries, with considerable differences between one country and another. This decline was more marked in countries where relatively high prices for scrapiron prevailed. On the other hand, prices remained high in countries outside the Community.

39. The supply of scrap-iron varies very widely among the various countries of the Community. Whereas France, Germany, and the Netherlands, as shown by the situation in 1952, meet their own needs and export a cert a in amount of scrap-iron, the foreign trade balances of both Belgium and Italy show a deficit as far as scrap in concerned. Belgium import requirements have largely been met by Community countries, whereas those of Italy ?637,000 tons in 1952-?? were covered to the extent of two-thirds by purchases in countries

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9. Determined from the consumption by the blast-furnaces and steel works, imports being deducted, exports added.
10. Economic Survey of Europe, 1951, Geneva, 1952, p. 50. The figures given for 1937 indicate merely an approximate order of magnitude. No account has been taken of any changes in stocks.
11. Provisional.

outside the Community. These purchases had to be made at prices which were relatively much higher than the average level prevailing in the Community countries. In view of the great sensitivity of scrap-iron prices, a very small deficit is enough to cause comparatively large increases in price and this is confirmed by experience. This is one of the main reasons why the establishment of a Common Market for scrap-iron had to be accompanied by certain precautionary measures.

5. CHAPTER IV - The establishment of the Common Market for coal, iron ore and scrap

40. The setting up of the Common Market for coal, iron ore and scrap on the date laid down by the Treaty, i. e. exactly six months after the High Authority assumed its functions, signified both the final throwing open of the frontiers between the countries of the Communi ty and the transfer of the powers delegated by the States. The opening of the Common Market brought about fundamental changes. The national markets had been characterized by a systematic attempt on the part of each State to favour its own producers to the detriment of those in other countries. The endeavour to do so resulted from confusion between national production as a whole and the production of each individual sector. There can be no doubt that one of the aims of economic policy is the expansion of national production. The protection of each individual production is not identical with this aim; on the contrary, it runs counter to it. Industries which can be kept alive only by dint of a policy of protection or subsidies absorb resources which, if they were otherwise employed, would make a greater contribution to the overall expansion of production. This endeavour and this confusion of ideas caused the price of imports to be raised by the application of customs duties, or limited their quantity by the imposition of quotas. A further result was the tendency to restrict exports, in order to ensure the retention in a particular country of raw materials in shortest supply, and to raise the prices for deliveries to other countries, either by means of export duties or by the practice of dual pricing. From its own point of view any country can always bring forward excellent reasons to justify such a policy. Did not dual pricing, for example, provide a means of keeping down the home prices on account of the profits which it earned abroad? But, when the picture is seen in its entirety, everyone is the loser. For these barriers, restrictions and discriminations have in the last analysis no other effect than that of raising the cost of production in all the countries taken together and of preventing the expansion of production where this can be achieved most economically. The European countries, divided as they have been hitherto, have made great efforts, the only result of which has been to prevent an expansion of production and an improvement of the standard of living in Europe.

41. The abolition of barriers and discriminatory practices meant that action had to be taken in regard to customs, foreign exchange and transport. Although there were in fact no customs duties on coal, iron ore and scrap, the entry of coal was subject to restrictions, and the export of all three products was also limited. These are the restrictions, applied by the States unilaterally, which disappeared on 10th February. At the same time arrangements were made to enable the foreign exchange required for purchases in the other countries of the Community to b'e automatically made available on request. With regard to the more flagrant discriminations in the sphere of transport, which entailed the application of differential freight rates, over the same lines, to the same products in accordance with their origin or destination, thus making a distinction between the national producer or consumer and those in the other countries of the Community, such discriminations were abolished with effect from 10th February ?? on the basis of an enquiry by a Committee of Experts ? not only for coal, iron ore and scrap, but also for steel. These changes took place, however, over a short transitional period. The necessity of passing gradually from the closed market system to that of free intercourse between the economies was the result of the fact that the Institutions of t h e Community have held powers in the field of prices only from the date on which the Common Market was established. A brief period of time had to elapse before the new arrangements and the new price rules could come into force for coal and scrap. So far as coal was concerned, this period was filled by maintaining in force until the end of the quarter the decision on allocations which had been taken by the High Authority, and by keeping within the terms of an agreement reached by the Governments within the O. E. E. C. As regards scrap, a provisional decision on allocation remained valid until 15th March. Covered by these entirely provisional arrangements for the movement of commodities within the Common Market, the High Authori ty was able to co-ordinate its action, on the one hand, in the sphere of prices and, on the other hand, within the scope of such decisions as it was required to take, country by country, to enable gradual adjustments to be made, and to avoid disturbances. The situation, as it affected coal, iron ore and scrap, was fundamentally different.

42. Although in the coal market there was now no resemblance to the situation which had prevailed twelve months previously, when the supply situation had been extremely tense, there were still some difficulties in regard to certain grades. Moreover, the production in question is one on which demand is but little affected by price variations, so that the producers, whose prices had been kept to a very narrow margin by the Governments, might well have been tempted to make up lost ground. Also, it will inevitably be some time before there is complete interpénétration of the markets within the Community, since hitherto sales between

one country and another have been in the hands of monopoly organizations controlled, what is more, by the States. Competition by foreign imports remains limited, either because the exporting countries do not make adequate quantities available to the purchasers, or because there is a shortage of foreign currency where American coal is concerned. Under such circumstances there could be no question of giving free rein to coal prices, and the problem was t o work out the form in which maximum prices could be fixed. The system to which the High Authority has inclined is t h a t of finding a middle course between the rigid fixing of prices for the different grades, as practised b y the national Governments in the closed markets, and that freedom which will in due course permit the free movement of goods within the Community, the expansion of production and competition with imports from third countries. The chief aim is to determine a price level which, in order to avoid disturbances to the national economies, will as far as possible line up with the level existing before the establishment of the Common Market. It was possible to adopt this policy owing to the fact that the prices prevailing for a large proportion of the products of the various coal-fields were sufficiently independent of competition on account of the protection afforded by geographic dispersal. All this, however, by no means implies lhat when the barriers fell, the prices could remain unchanged. Quite the contrary; the tendency must be to arrive, by continuous movement, at a more complete harmonization of the price scales. The existing differences are such as to make possible no more t h a n a beginning of that harmonization, but it must be one of the early consequences of the Common Market. To determine the price level, the High Authority selected the method of fixing average maximum prices by coal-field, for each category of coal. In order to show that its decisions did in fact mean the fixing of maximum prices, it imposed an absolute maximum for each category, a maximum which could not be exceeded by any grade within that category. In respect of those grades in which supplies are critical, this provision has been rounded off by the announcement of maximum prices specially applicable to such grades. These prices by grades have only a limited application, and those categories for which no supply difficulties are apparent' are entirely exempt therefrom. Within this framework, the enterprises, for which certain rules are thus laid down, retain the freedom to establish their own price scales for the different grades, by adjusting themselves to the prevailing market conditions and to those governing competition. Furthermore, the prices are fixed only for the most important coal-fields; each individual decision leaves out those coal-fields whose prices are indirectly regulated by the competition of the largest producers. The flexibility so conceded enables the necessary adaptations to be made, as well as allowing the enterprises to exercise their own initiative and responsibility in respect of prices.

43. Although the situation made it necessary to fix maximum prices for coal, in this very elastic form, the supply position and the structure of the market enabled t h e price-level of iron ore to be left free. The price increase resulting from these measures is only an apparent one. France, the most important producer, was practising a comprehensive dual pricing system. Buyers outside French territory find that to-day's price is lower than that which they formerly paid. The French consumers are almost all owners of the mines from which their supplies are drawn, so that the prices, which had formerly been fixed at a level below production costs, had no more t h a n a nominal significance; if the prices are fixed at a higher level, thus enabling the dual pricing to be abolished, the steelworks which are also mineowners are merely faced with higher amounts both on the debit and the credit side.

44. Two essential features characterized the situation in the scrap market. On the one side were the very considerable price differences which had until quite recent times separated the various countries of the Community one from another; these had now been so heavily reduced that, as regards scrap emanating from the Community, there was virtually no perceptible difference between Germany, France, Belgium and Luxembourg, and even Italy. Only the Netherlands had an appreciably lower price, and the higher price in force in Italy was solely due to the additional cost of imported scrap. The second feature of the scrap market was the maintenance of a considerable difference between the prices of locally collected scrap and those of scrap coming from third countries. This situation entailed the danger that buyers who had hitherto bought imported scrap would now devote their attention to scrap from within the Community and that there would be a heavy increase in prices. In order to avert this danger, péréquation measures had to be adopted, accompanied by the fixing of maximum prices, in order to bring the price of imported scrap to the level of that coming from the Common Market, and to avoid upsetting the flow of supplies.

45. The policy thus followed gives evidence of the desire to carry out the changes involved in the establishment of the Common Market all the more smoothly, inasmuch as any disturbance during the initial stages was avoided. This same thought underlay the decisions which the High Authority was called upon to take in order to give proper consideration to the difficulties which each country of the Community was likely to experience when the Common Market was established and its concomitant rules laid down. In the case of Germany, there was the problem of the privileged consumers, who benefited by a lower coal price, thanks to an additional charge levied on the prices imposed upon the other consumers. In the case of France, there were the subsidies to the briquetting plants not attached to the mines, whose normal supplies of British coal had been cut off; and there was the subsidy for coking fines, designed to bring about an expansion of the

activity of coking plants in which growing quantities of coking fines from Lorraine would be utilized. In the case of the Netherlands there was the equalization machinery, which reduces all coal to the same level irrespective of its origin, whether of national production or imported, and irrespective of its destination within the country, thanks to a price system thus rendered uniform. Finally, in the case of Belgium and Italy, it was necessary to work out péréquation measures imposing on the Community part of the sacrifices which had temporarily to be made as regards the prices of their coal, pending the adaptation of their production of the competitive conditions of t h e Common Market.

46. In none of these fields has it been the High Authority's intention to lay down a hardand- fast plan to be implemented in stages over a period of several years. Its desire was to accomplish a preliminary phase by taking decisions which would be effective for a limited time and would need to be reviewed in the light of developments. Experience gained during the last two years, so far as Belgian coal is concerned, justifies this progressive method. The High Authority has found that the gap between prices of Belgian coal and those of other countries has become considerably narrower since the time when the Treaty and the particular provisions applicable to the Belgian market were negotiated. Doubtless the narrowing of the gap has been partly due to divergences in monetary developments in the different countries of the Community. But it also proves that even before the Common Market was established, the prospect of its establishment caused the producers to turn their gaze on their neighbours and to reduce their production costs against the impending competition. This devellopment, through the use of a péréquation aid which is considerably lower t h a n the maximum amount provided for in the Treaty, has made i t possible for Belgian coal to be immediately included in the Common Market, without recourse to that isolation which appeared two years ago to be the inevitable solution. The establishment of the Common Market for coal, iron ore and scrap, the introduction of a new price system for the products, the first decisions on subsidies, special charges and compensation payments represent an important step forward. The High Authority, by making resolute changes with due caution and gradualness, has constantly drawn its inspiration from the provisions of the Treaty, under which the Community shall " progressively establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States ".

5.1. Measures to be taken prior to the establishment of the Common Market

47. Before the Common Market for coal, iron ore and scrap was established, certain measures had to be taken to introduce temporary péréquation measures designed to assist those countries whose coal production costs are abnormally high; it was further necessary to abolish customs duties and quantitative restrictions, as well as discrimination in prices and transport conditions, based on the country of origin or destination of the products concerned. We shall in the first place examine these preliminary measures and then turn our attention to the specific decisions concerning the establishment of the Common Market; and, finally, we shall deal with certain more general problems affecting the operation of the Common Market.

Introduction of péréquation measures

48. Under the terms of Section 8 of the Convention, the Common Market for coal, and simultaneously that for iron ore and scrap, shall be set up upon notification by the High Authority t h a t the péréquation measures have been put into operation. The introduction of these measures did not mean that an actual levy would be immediately applied, nor the aid to the Belgian and Italian coal industries, to which such levy contributes, immediately granted; it merely meant that a fund would be created, ready to come into operation as soon as it was possible to take the relevant decisions on the amount of the aid and the corresponding rate of the levy. In practice the introduction of the péréquation measures meant that the following were defined :

a. lthe mines subject to the levy;

b. the assessment basis of the levy, i. e. the ton of saleable production;

c. the amount per ton, i. e. the receipts of the enterprise.

A Working Party met to ascertain on what basis it would be possible to meet these three conditions for the establishment of the péréquation measures. The Working Party quickly came to the conclusion that the assessment of a péréquation levy must be as simple as possible. It was found t h a t the basis underlying the general levy prescribed in Article 50 could, with very few alterations, serve as the basis for the péréquation levy. To avoid, in accordance with the provisions of the Treaty, any form of cumulative taxation, it had been decided to limit t h e levy on coal production to the net clean coal production, less 12 % representing on an average the miners' own consumption and issues of coal to the miners. This assessment of the péréquation

levy therefore corresponded only to salable production, i. e. to the merchantable tonnage itself, to which the péréquation levy was to be applied in accordance with Section 25 of the Convention. As regards the value per ton, the amount taken as a basis for the general levy was the producer's average receipts, i. e. the selling price, less taxes. The same basis made it possible to apply Section 25 of the Convention, subject to the proviso that the mines of each country to which the levy is applied would retain, not the average for the Community as a whole, as in the case of t h e general levy, but the average receipts, in the country in question, included in the weighted average of. the Community. Thus it only remained to determine the countries in which the average production cost is lower than the weighted average of the Community, i. e. the countries whose coal mining industry is consequently subject to the péréquation levy. In this connection it was observed that the problem requiring solution was not that of appreciating with absolute accuracy the production costs in the various countries, on a strictly comparable basis, but simply to ascertain t h a t these production costs were, in some cases, obviously below the average, and obviously higher in others. Even if the estimates of costs were made as liberal as possible in those countries where they are presumed to be lowest, while giving the most conservative estimate for those countries where they are considered to be highest, two groups were clearly distinguishable : Germany and the Netherlands alone showed production costs very obviously below the weighted average of the Community, while not only Belgium and Italy, but also France and the Saar were burdened, on the average, with production costs above that average. If, however, the relationship between the various production costs were to change, this simplified method, which is workable and accurate as long as large differences exist, would have to be replaced by more exact estimates for which the way is being prepared, in particular, by the studies carried out by the Working P a r t y on the comparability of provisions made for depreciation. It was, therefore, decided that the hard coal mining enterprises in Germany and the Netherlands would, on the same dates, and on t h e basis of the same tonnages as those specified for the general levy, be liable to a péréquation levy, the amount of which would not be defined until the new scales were established and until it was know how much aid would, therefore, be required by the Belgian and Italian mines, which would benefit by the provisions of Section 25 of the Convention.

Elimination of quantitative restrictions and customs barriers

49. By the very terms of the Treaty it is recognized that " export and import duties or equivalent charges and restrictions on the movement of products " are incompatible with the Common Market and must, therefore, be abolished and prohibited. The frontiers remain, but there is freedom of passage.

50. The removal of these obstacles to the free movement of goods within the Community was possible without its being extended to third countries. Exceptions to this effect had been granted by the Organization for European Economic Co-operation as regards quantitative restrictions and by the Organization of the General Agreement on Tariffs and Trade (G. A. T. T.) in respect of customs duties. It was for the Government to adopt the necessary legislation or regulations in order to ensure that their abolition would become effective defore the Common Market was established. Practical solutions were worked out by common agreement between the High Authority and the governments. A Committee of Experts on customs matters and the settlement of payments, meeting in Luxembourg, worked out :

> *draft regulations to exempt coal and steel from import and export duties as between the Member States of the Community;*
>
> *a draft concerning the application of foreign exchange regulations to the Community's internal trade.*

These drafts were approved by the six Governments.

51. In tariff matters it was necessary to distinguish between :

a. products having "free pratique", i. e. such as have been produced in one of the Member States of the Community or, if they come from a third country, such as have paid the import duties ;

b. products " subject to customs clearance ", i. e. those which, being temporarily admitted, in bond, in transit, in a free port or free zone, are, in fact, commodities foreign to the Community because they have not yet paid the import duties.

To this end, a customs clearance certificate was instituted. This document accompanies the goods during their transport from the frontier and certifies t h a t they are not subject to customs clearance. It affords the consignee the facility of clearing goods emanating from a third country at the customs office nearest to his domicile. It also enables identification of goods emanating from a third count r y when they are being transported through a third country, either by sea or in transit, from one country of the Community to another country of t h e Community.

52. In relationships between Member States, the elimination of customs duties and quantitative restrictions on products of the Common Market does not have the effect of exempting importers and exporters, under the conditions laid down by each Member State, from fulfilling the formalities for the declaration and verification of goods, or the statistical records of the movement of such goods. But it was agreed t h a t the issue of licences and of the corresponding foreign exchange would be automatic. Further, the documents accompanying the goods must include indications as to prices and qualities, so as to prevent commercial transactions on the Common Market from concealing transfers of capital.

53. The High Authority made sure that the measures planned would be taken by 10th February. Official notification to the Governments of the date of the establishment of the Common Market appears in the Official Gazette of the Community, dated 10th February. The Governments for their part, took all the relevant steps to ensure that as from 10th February the measures which they were committed to take would in fact be applied :

in the case of Germany, a notice dated 10th February, 1953, concerning the establishment of the Common Market for coal, iron ore and scrap within the member States, appeared in the Bundesanzeiger (No. 36, 21st February, 1953);

in the case of Belgium, Luxembourg, and the Netherlands, there was no need to take any particular steps in the matter of customs regulations, in order to conform with the arrangements for which provisions were made in Luxembourg; the only instructions given were those concerning the settlement of payments;

in the case of France, a decree dated 9th February, 1953, concerning the opening of the Common Market for coal and steel, appeared in the Journal officiel de la République Française dated 9th and 10th February, 1953; this decree deals principally with exemption from import and exjoort duties and the automatic issue of licences;

finally, in the case of Italy, a letter dated 17th February, 1953, informed the High Authority that the measures agreed by the Committee of Experts would be put into force as from 10th February, 1953.

Thus, all the customs measures necessary to permit the free passage of the Community's products were taken by the Governments at the appropriate time.

Abolition of discriminatory practices in lite field of transport

54. The establishment of the Common Market makes it necessary to apply to coal and steel such freight rates as will offer comparable price conditions to consumers placed in comparable situations. Discrimination in prices and transport conditions, based on the country of origin or destination of the products, was among the phenomena which had to disappear. Such instances of discrimination had a particularly harmful effect on the smooth operation of the Common Market, in which the " delivered " price must reflect the actual production cost of the product and the cost of carneriage, to the exclusion of any artificial factor which may favour some countries to the detriment of others. Although the period of three months granted for this first stage in the recasting of freight rates was very brief, the Committee of Transport Experts came forward in good time with a satisfactory solution for the abolition of all serious and flagrant cases of discrimination. The solutions proposed formed the subject of negotiations between the High Authority and the Governments concerned and, as was forecast in the Report presented to the Common Assembly in January, 1953, abolition was secured in the majority of cases, with effect from 10th February, and for the remainder before the end of February.

55. The measures taken in respect of transport rates in order to bring about the abolition varied somewhat in their effects, depending upon the level of the new rates schedules substutited for the former discriminatory rates. In the choice of this level the Governments had been allowed some latitude. (a) In the first type of cases, discrimination was eliminated by extending the lowest rates to all traffic. In Germany, for instance, the rates applicable ex. German mines was extended to cover Saar-Lorraine coal, in place of the general schedule; the following two examples indicate the degree of the discrimination thus abolished, especially over long distances, where it represents nearly 7 % of the " delivered " price of coal :

Routes	**Distance**	**Price par ton**		**Dilïerence**	
		former	**new**	**absolute**	**relative**
Reden-Stuttgart	232 km	24,50 DM	22,40 DM	? 2,10 DM	? 9%
Reden-Rcgensburg	491 km	37,60 DM	31,60 DM	? 6,00 DM	? 16%

(h) In other cases, t h e new schedule comprises a slight increase in relation to the lowest rates, to compensate for losses borne by the railways.

Such is the case in France where the same rates are applied to the carriage of iron ore from Lorraine transported to destinations abroad as to ore proceeding to internal destinations. Here the rates have undergone a slight increase, as the following examples show :

Routes	Distance	Price par ton		Dilïerence	
		former	new	absolute	relative
Sancy-Ougrée[12] . .	211 km	850 Fr.f.	784 Fr.f.	?66 Fr.f.	? 8%
Sancy - Azincourt [13]	284 km	031 Fr.f.	654 Fr.f.	+ 23 Fr.f.	+ 4%

In this case it is interesting to note that the alteration in the rates has a tendency to divert certain traffic to routes on which conditions are more favourable; the abolition of the discrimination will thus have as a byproduct a reduction in transport costs.

Routes	Distance	Price par ton		Dilïerence	
		former	new	absolute	relative
Sancy-Marchienne [14] :					
via Ecouviez. .	223 km	880 Fr.f.	820 Fr.f.	? 66 Fr.f.	? 7%
via Givet. . . .	258 km	1.025 Fr.f.	792 Fr.f.	? 233 Fr.f.	?23%

(c) In other cases, finally, the new schedule is at an intermediate level between the former rates.

This applies to the unification of the Belgian rail schedules for coke destined for the steelworks; here the rates will henceforth be dependent neither on the dispatching nor on the receiving country, as the following examples show :

Routes	Distance	Price par ton		Dilïerence	
		former	new	absolute	relative
Lutterade-Thionville [15]. . . .	243 km	2S2 Fr.b.	255 Fr.b.	? 27 Fr.b.	? 10 %
Zeebrugge-Thionville [16]. .	369 km	239 Fr.b..	259 Fr.b.	+ 20 Fr.b.	+ 8%
Haren - Nord - A t h u s [17]. .	216 km	141 Fr.b.	152 Fr.b.	+ 11 Fr.b.	+ 8%

The same also applies to the unification of the Belgian schedules for the export of iron and steel products via the port of Antwerp, which will henceforth be applicable to products from France and the Saar, as well as those from Belgo-Luxembourg sources. The unification has been achieved by adopting new rates scales which are relatively close to the highest scales, as is shown by the following examples, which refer to rolled steel :

Routes	Distance	Price par ton		Dilïerence	
		former	new	absolute	relative
Athus-Anvers. .	254 km	184 Fr.b.	222 Fr.b.	+38 Fr.b.	+ 21 %
Rodange-Antwerp. . .	257 km	230 Fr.b.	268 Fr.b.	+ 38 Fr.b.	+ 16 %

12. In regular daily complete trainloads of 1,120 tons in private trucks.
13. In regular daily complete trainloads of 800 tons in private trucks.
14. In regular daily complete trainloads of 1,120 tons in private trucks.
15. In complete trainloads of GOO tons.
16. In complete trainloads of GOO tons.
17. In complete trainloads of GOO tons.

Routes	Distance	Price par ton		Dilïerence	
		former	new	absolute	relative
Mont-St. Martin-Antwerp	260 km	317 Fr.b.	293 Fr.b.	?24 Fr.b.	? 8 %

In this last example, concerning three steel-works which are close neighbours, but separated by frontiers, the discriminatory effect is very evident. Whereas the distance varies by less than 3 %, the difference between the highest and lowest prices was 72 %; after eliminating the discrimination, it is reduced to 32 %, which is due to the " interruption of charges " at the frontier.

It is obvious that, on the export markets a relative difference of 62 Belgian francs or $ 1.20 per ton, in the selling price, represents an important commercial factor.

56. Apart from the four examples given above, various other cases of discrimination have been eliminated. They concern :

Saar, Lorraine, Belgian and Dutch coal proceeding to Austria via the German ports on the Upper Danube;

Lorraine and Luxembourg iron ore imported into Germany;

German manganese ore for export;

Luxembourg iron and steel products in transit through France;

iron and steel products from all sources in transit through German sea-ports, or destined for German dockyards;

merchandise of every kind imported into France in complete trainloads.

57. The study of this question, which is still proceeding, has not yet covered all known cases of discrimination; but the items still to be studied are of minor importance. Among them should he mentioned the parlicular case of Dutch, Italian and French rail traffic to which, under the legislation of these countries, normal schedules are not applied, hut contract rates are negociated with the users and not subsequently published. In accordance with the Treaty, these contracts have been brought to the knowledge of the High Authority, which is now taking steps to eliminate any discrimination t h a t they may contain, on the basis of principles identical with those applying to the schedules proper. A similar problem arises in connection with shipping contracts on international routes; these are not subject to regulations, neither are they published. On the other hand, cert a in component parts of the freight charges ? such as canal-tolls, harbour-dues, charges levied by tugboat monopolies, etc. ??? are fixed by official regulations and may contain elements of discrimination; some of these have already been abolished at the request of the High Authority.

58. Without waiting to sec this first stage concluded, the Committee of Experts has already embarked upon the later phases of its work. First of all, it has just completed its classification of the special rail schedules. The object of this important work is to separate, from among these schedules, those which are immediately necessary to the transport economy ? either because they represent a reduction in transjoort costs or because they constitute a reply to especially active competition from other carriers ? from those which are genuine schedules designed to benefit certain industries; here the classification also makes a distinction between schedules which benefit basic industries within the meaning of the Treaty, i. e. coal or steel producers, and those which favour other forms of industry. This classification is a preliminary task, enabling the High Authority to order the elimination, or if necessary the maintenance, of schedules designed to benefit the basic industries. Finally, the Committee has started a general examination of the questions raised by the creation of through rates and by the harmonization of the rates systems. It would already appear that it is essential to work out an overall policy, before any concrete decisions are taken. While the economic principles underlying this policy are clear, the methods by which they are to be applied are obviously very far from being unambiguously defined, and the year 1953 will presumably need to be devoted to the successful accomplishment, of this task, and to estimating the manifold implications of the projected solutions.

5.2. Decisions regarding the establishment of the Common Market for coal, iron ore and scrap-iron

59. The elimination of quota restrictions and customs barriers, as from the date of the establishment of the Common Market, was carried out in conjunction with the transfer to the High Authority of powers which that Authority only exercises as far as each of the products subject to its jurisdiction is concerned, from the date of

the establishment of the Common Market. On 7th February, 1953, therefore, the High Authority notified the Governments of the Member States of the Community, by letter, that the péréquation measures which were to come into force on the date when the Common Market for coal, iron ore and scrapiron was established, would officially come into operation on 10th February. On 10th February, the High Authori ty informed the same Governments that it was assuming the duties which devolved upon i t under the Treaty. When allowance was made for the time necessary for the receipt of that notice, the corresponding jurisdiction of the Member States came to an end on 12th February, and the High Authority announced its first decisions with regard to prices. Apart from any future action in the field of production, changes in procedure with regard to allocation and the right of making recommendations to the Governments in cases stipulated in the Treaty, the new powers involved three main fields : prices, subsidies, or charges imposed by t h e Governments, and agreements made between industrial or commercial concerns. The activities of the High Author i ty have been mainly directed to three questions. We propose to set out, first, the general decisions of the High Authority with regard to prices, and then the decisions concerning each of the products covered by the Common Market, namely coal, iron ore and scrapiron [18]

General decisions on prices

60. Since decisions with regard to prices could only be taken, at the earliest, on the date of the establishment of the Common Market, the problem of bringing the old and the new price systems into alignment necessarily arose. Obviously, the firms concerned were not able to draw up their new price-scales and put them into operation until the decisions with regard to the fixing of prices or an open market, the methods publicising these price-scales and the methods of quotation which were applicable to the various products, had been made known. The problem which arose was solved by deciding that the regulations which were in force with regard to selling prices on the home markets of the Member States should remain applicable until they had been rescinded, as regards coal, b y decisions of the High Authori ty or replaced, as regards iron ore, by new price-scales established by the firms concerned which should come into force on 1st March, 1953, at the l a t e s t[19].For iron scrap, the price control regulations which had been adopted by the Member States were to remain in force until a decision had been reached by the High Authority[20].

61. Another decision was concerned, in accordance with article 60, section 2 a), with the manner, and the extent in which the price-scales of the firms concerned should be made public. The decision on the conditions under which the price-scales and the terms of sale applied in the coal mining and iron ore industries are to be made public should make it possible to determine whether these price-scales and terms of sale conform to the principles of free competition stipulated in the Treaty. The consumer should be in a position to verify the quality of the product, calculate his production costs, and compare offers made by different suppliers. A decision of the High Authority prescribed the form and manner in which the coal and mining industries should inform the public of their price-scales and terms of sale[21]. Particular importance was attached to enabling the buyer to determine from the price scales and the terms of sale, not only the prices, but also the methods of quotation, the charges involved by the various methods of loading, the trade discount, the method of dealing with taxes, and any allowances there might be for quality etc. Furthermore, the price-scales and terms of sale must comprise data enabling the buyer to learn exactly what are the properties of the products offered : for example, with regard to coal, the amount of volatile matter, and the ash content; and with regard to iron ore, the iron, lime, silica and phosphorus contents. The High Authority must be informed, within the stipulated time-limits, of the price-scales and terms of sale, before they come into operation. On the advice of the Consultative Committee, the High Authority has decided not to take definite steps with regard to the way in which price-scales should be made public. I t has confined itself to stipulating that they must be printed, must be sent to the High Authority five days before becoming operative, and must be supplied to anybody who asks for a copy. The High Authority reserves the right of determining, in the light of experience, whether any other form of announcement is necessary. Manufacturing firms are under an obligation to compel sales organizations and agents whom they may finally appoint to comply with these stipulations.

62. The remaining decisions with regard to prices were adapted to the special conditions attaching to the coal, iron ore, and scrap-iron markets.

Coal

Fixing of prices

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18. Questions arising out of agreements are considered later in this Report. See paragraph 3, page 265, No. 94.
19. Decision No. 5-53 of 12th February, 1953 [Official Gazette of the Community of 12th February, 1953).
20. Decision N° 2-53 of 7th February, 1953 [Official Gazelle of the Community of 10th February, 1953).
21. Decision No. 4-53 of 12th February, 1953 (Official Gazette of the Community of 12th February, 1953).

63. Prior to the establishment of the Common Market, the prices of coal were fixed by the Governments in all the Community countries. In Germany, maximum prices ex mines or ex works were laid down for the coalfields and the lignite mines. In Belgium, prices ex mines were laid down for coal, but there was no official price control in the case of coke. In France, the Government decided the general level of prices, and on this basis the " Charbonnages de France " calculated average prices for the various coal-fields; on this basis the prices for the different grades were fixed in each coal-field. In the Netherlands, the Government fixed the " delivered " prices for the consumers; these prices were identical in every part of the country for each grade of coal, whether imported or home-produced. In Italy, prices were fixed, both for home-produced and imported coal. As regards imported coal, a price committee under Government direction determined prices for commercial sales on the basis of the cost c. i. f. port of entry, or of the cost of a truckload delivered frontier-station. These regulations also laid clown the dealer's margin of profit. Lastly, in Luxembourg, the Government adjusted import prices and transport charges; since this country is obliged to import its coal and coke, the Government, with a view to facilitating distribution arrangements, laid down uniform prices for the various grades, and for all the consumer districts, thereby implementing péréquation measures.

64. Having sought the opinion of the Consultative Committee and having consulted the Council of Ministers, the High Authority decided to fix maximum prices for coal[22] . In doing so, it took into account, as far as possible, the existing prices and allowed a certain amount of flexibility, in order to enable firms to adjust themselves to the new conditions which had arisen through the establishment of the Common Market. The chief responsibility of the High Authority with regard to the economy of the Member States was to determine the level of coal prices. It was for this reason that, at the outset, average prices, which must not be exceeded, were fixed for each category of coal[23]. Furthermore, absolute maximum pri-" ces have been fixed for each of these categories. The price of any grade of coal within each category must not exceed this maximum price. Finally, for certain grades in short supply, for which prices are very firm, it seemed advisable to fix maximum prices which were specially determined to meet each particular case. The number of such grades was very limited, however, and whole categories, where no difficulty of this kind arose, were omitted entirely. Consequently, whilst an average maximum price and a maximum price per category have been fixed for each coalfield, maximum prices for particular grades are limited to nuts 4, semi-bituminous and lean coals, and anthracite, which are the grades mainly supplied to domestic consumers, to coking fines among bituminous coals, and to blast-furnace coke in the coke category. For hard coal briquettes and lignite briquettes, the fixing of an absolute maximum price proved to be sufficient. The scheme which the High Author i ty has decided to apply provides a period of transition between the operation of closed markets, in which the prices of all grades were controlled by the Governments, and conditions free from restrictions on the fixing of coal prices which should become feasible as the interlocking of the Community's markets develops, as competition from imports from third countries becomes more severe, and as the output of the categories now in short supply is increased. At the same time, this scheme ensures a margin to enable the enterprises to adjust themselves to the new competitive conditions arising from the establishment of the Common Market.

Price levels

65. In dealing with price levels, the concern of t h e High Authority has been to prevent abrupt changes which might have resulted in disturbances to the national economies. The evidence was t h a t there was a considerable shock, initially, in absorbing the price changes which were the outcome of the establishment of the Common Market, namely, the elimination of quatitantive restrictions, of compensation levies which were tantamount to a customs duty, of discriminatory transport charges, and of certain subsidies. In view of the interdependence of the various coal-fields resulting from unrestricted trade in coal, the question might well arise as to whether any importance should be attached to the linking of current price levels with those which existed previously. There is, however, no question of inconsistency, for, in view of the protection afforded by the distances involved, there is, in each country, a large number of grades of coal the prices of which arc unaffected by those prevailing in competing coal-fields. When recasting the price-scales resulting from the new competitive conditions, the High Authority has, in consequence, directed its efforts to making the necessary adjustments, and, in the initial stage, to maintaining the existing price levels, subject to the following modifications :

a. In Germany, the price level resulting from decisions reached by the Federal Government before the establishment of the Common Market is being maintained. At the end of January, 1953, export prices were higher, on the average, than the selling prices on the home market, by 5 DM per ton for hard coal

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22. Decision No. G-53 of 5lh March, 1953 [Official Gazette of the Community of 13th March 1953) and Decisions No. 7-53, 9-53, 10-53, 12-53, 13-53, 14-53, 15-53, 19-53, 20-53, 21-53, 22-53, 23-53, 24-53, dated 13th March, 1953 (Official Gazette of the Community of 13th March, 1953).

23. Readers are reminded that a category of coal is defined by the content of tho coal in volatile matter

and by 10 DM per ton for lignite briquettes. Before the Common Market was established, the Federal Government had already intended to abolish this system of dual pricing of its own accord. In view of the special position of the German coal-mining industry, the Federal Government considered that it could only bring t h e prices on t h e home market into line with export prices by a general increase of prices on the home market. In the course of discussions on this question with the Federal Government, the High Authority emphasized t h a t it might feel bound to amend the pricescale proposed by the Federal Government unless further adjustments were made to the scale prior to its publication. The Federal Government has taken the opinion of the High Authority into consideration. For non-German consumers in the Common Market, the only increase in t h e new scale is for coke, the price of which has been advanced by 1 DM per ton. The readjustment of the prices of semi-bituminous nuts, lean nuts and anthracite nuts, which is justified by the particularly low price of these grades of coal in Germany, has not resulted in any higher prices for the non-German consumer; in fact, this price increase is more than offset by the abolition of the price increase imposed by other countries on certain grades of coal imported from the Ruhr.

b. In France, the average level of prices in the coal-fields has been maintained, subject only to a limited number of changes in the relative price-levels between the various coal-fields, particularly between the Nord and Pas-de-Calais coal-fields and that of Lorraine.

c. In Belgium, the simultaneous introduction of the péréquation measures and subsidies has made it possible to lower prices.

d. In Dutch Limburg, prices had to be readjusted in circumstances which will be considered at the same time as the decision with regard to the compensation fund which operates in the Netherlands.

Methods of quoting and zonal prices

66. The methods of quoting to be applied to the sale of coal had to be clearly defined. The prior condition was t h a t enterprises should apply exclusively their own price-scales for sales on the Common Market. Except in cases duly authorized by the High Authority, the methods of quoting must not be based on transport rates calculated in a manner incompatible with normal commercial transactions and which would be advantageous for some and to the disadvantage of others. This point was covered by the High Authority's decision n° 3-53[24]. Certain exceptions were, however, authorized up to 31st March, 1954, in order to obviate disturbances to the national economies :

a. Owing to geological differences, cost prices in the Aix-la-Chapelle coal-field are higher t h a n those in the Ruhr. This was taken into account by the German Federal Government when fixing prices, and the Aix-la-Chapelle coal-field ? with the same price-scale as the Ruhr coal-field ?? was authorized to sell, on the left bank of the Rhine, at prices calculated on the basis of dispatch from railpoints in t h e Ruhr coal-field. The preferential transport rates resulting from this calculation ranged up to 8 DM per ton according to quality. In view of the fact that the Treaty does not allow prices to he calculated on the basis of preferential transport rates, t h e German Federal Government, a few days before the establishment of the Common Market, raised the scale prices for the Aix-la-Chapelle coal-field by 5.50 DM above those for the Ruhr, in order to compensate the mines for the loss of revenue due to the abolition of the preferential transport rates which had existed previously, and also introduced zonal prices in two areas. These zones comprise the whole of the territory of t h e Federal Republic, with the exception of the administrative district of Aix-la-Chapelle. In the one zone, the average price allowance is 4 DM per ton (left bank of the Rhine), and in the other, it is 5.50 DM per ton (Southern Germany). Consequently, despite the fact that the different bases of freight rates have been abandoned, any increase in delivered prices has, on the average, been avoided throughout the sales territory of the Aix-la-Chapelle coalfield, without any reduction of the total receipts of the mines in this coal-field. Since, in view of the prevailing conditions of trade, any change in this system of zonal prices, would result, in certain areas of the Federal Republic, in price increases which would be so large and so abrupt as to be harmful, the High Authority agreed t h a t this system should be continued for the time being[25] . The High Authority pointed out, however, that the present flow of trade from the South to the West of Germany would have to be redirected in order to restrict the deliveries for which the higher allowance (5.50 DM) is being granted; the resulting increase in receipts would enable scale prices to be reduced.

b. Enterprises in the Cologne lignite coal-field have hitherto employed special methods of price quotation for some of their deliveries. These zonal prices are to be maintained temporarily[26].

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24. Official Gazette of the Community, of 12th February, 1953.
25. Decision N° 8-53 of 6th March, 1953 (Official Gazette of the Community of 13th March).

c. Coal from the Saar and Lorraine is sold in Southern Germany at prices which are adjusted to the delivered prices of comparable grades from the Ruhr and Aix-la-Chapelle. The sudden elimination of these zonal prices would have led to hurried and dangerous diversions of production. The High Authority has, therefore, authorized their temporary continuance[27].

d. In t h e Western department of France, deliveries of coal from the Saar and Lorraine meet with competition from Polish and English coal. To enable coal from the Saar and Lorraine to remain competitive, the price scales included allowances which were fixed, for various zones, in relation to the distance between the producing coal-field and the point of delivery. Since the abolition of this system would have led t o hurried and dangerous diversions of production, t h e High Authority decided to allow these zonal prices to remain in force for the time being[28].

Adaptations by countries

67. The Convention containing the Transitional Provisions gives the High Authority the opportunity to agree to maintaining financial costs, subsidies, or special charges,* or to determine ? after consulting the Council ?? under what conditions, and within what timelimits, they shall be eliminated. Accordingly, the High Authority has examined, case by case, to what extent these practices in favour of the mining industry, or of certain consumer classes, could be eliminated at once, or should remain in operation for the time being. In cases where such practices are allowed to continue, this decision is only valid for the period up to 31st March, 1954. At the end of this preliminary period, t h e High Author i ty will examine the developments that have taken place in the Common Market. Furthermore, the High Authority has reserved the right to exercise continuous control, and the Governments are under an obligation to submit a quarterly report on the application of the decisions which have been taken.

France

68. A large number of plants making coal briquettes have for many years been established along the French coast; these formerly made use of fines imported from Great-Britain at low prices. The annual output of these factories, amounting to 1.5 million tons, represents about 25 % of the French production of briquetted fuels, and it is essential to maintain this output if the requirements of French consumers of domestic coal are to be met. Since it is no longer possible to-day to import these English coals, the factories obtain their supplies of fines from other foreign sources at very high prices, or utilize French fines which are subject to heavy transport charges. The output of these non-mining enterprises has hitherto only been maintained because of the subsidies paid by the French Government, which enable the products to be sold in the consumer areas at the same prices as those charged by briquetting plants located in the coal-fields. The High Authority decided that these subsidies should be eliminated only gradually, in order to obviate rises in prices which would be detrimental to the domestic consumer. Accordingly, it decided that, in future, the amount of these subsidies should in no case exceed 70 % of the maximum subsidies granted under the programme for the first quarter of 1953[29].

69. By means of a péréquation fund, the prices of coking coal imported into France were reduced to the level of the domestic prices. The object of this subsidy was to create coking facilities, which would ensure an increasing utilization of long-flame fines from Lorraine and the Saar. In normal circumstances, this subsidy should be gradually eliminated :

by a continuous increase in the proportion of Lorraine and Saar fines in the coking charge which at present amounts to 50 % and should gradually rise to 75 or 80 %;

by a reduction in transport costs as a result of the elimination of " interrupted charges " and the harmonization of freight rates.

Within three to four years, these two factors should lower the cost price of coking charges, without subsidy, to a level appreciably lower than that which can be attained under the present compensation system. It the opinion of the High Authority it was advisable to avoid a sudden rise in price which would be followed by a fall later on. Furthermore, it would be contrary to the interests of the Community if the high price of coking coal, arising from the present level of production and from transport costs to which the provisions of the Treaty

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26. Decision N° 11-53 of 6th March, 1953 (Official Gazette of the Community of 13lh March).
27. Decision N° 16-53 of 6th March, 1953 (Official Gazette of the Community of 13th March).
28. Decisions N° 17-53 and N° 18-53 of 6th March, 1953 (Official Gazette of the Community of 13th March).
29. Decision 26-53 of 8th March, 1953 {Official Gazette of the Community of 13th March) and letter dated 8th March addressed to the French Government.

could not yet be applied, should prove detrimental to the working conditions, and the ability to compete, of such plants whose development should assist in bringing down these prices, and in resolving one of the most difficult supply problems with which the Community is faced. Consequently, the High Authority has given the French Government permission to continue the subsidies on coking coal imported from the other countries of the Community. The Authority has stipulated that the average amount of subsidy per ton must not exceed the average rate prevailing at the date on which the Common Market for coal was established, and that the subsidies should not result in a reduction of the average difference, on that same date, between the prices of this coal delivered at works and the prices of Lorraine bituminous fines ex Béning. In this way, any reduction of the prices of imported coal and of freight costs, as well as any increase of the price of fines from Lorraine is automatically utilized to reduce the subsidies.

70. The price of coke delivered Homecourt (Lorraine) from other Community countries, and particularly from the Ruhr, was brought down to level of the price of coke delivered Homécourt from the coal-fields of the Nord and the Pas-de-Calais by means of a subsidy granted by the French Government. An examination of the situation indicated that the elimination of dual pricing and double taxation, as well as the savings which were likely to be made in the near future in the cost of transport, should, on this basis, result in the abolition of these subsidies. In view of these facts, the High Authority, by a letter dated 8th March, 1953, authorized t h e French Government to continue these subsidies temporarily, provided t h a t they did not exceed the rates prevailing at the date of the establishment of the Common Market and that they were reduced by an amount corresponding to the greatest reduction secured in t h e delivered price of coal.

71. On the other hand, the High Authori ty has not agreed to the continuance of measures tending to increase the prices of imported coal to such an extent as to raise the delivered prices of this coal to t h e level of home-produced coal.

72. The mines in the Saar and Lorraine supply a considerable portion of the Southern German market with long-flame coal. From the aspect of sales these coal-fields attach great importance to these deliveries, particularly since they enable bituminous coal, which is in great demand, to be replaced by long-flame coal and thus assist in solving the problem of the rational utilization of coking coal. These sales, however, are only possible if the prices of Saar-Lorraine coal are reduced to the level of the delivered prices which German consumers pay for coal from the Ruhr and Aix-la-Chapelle coal-fields. Hitherto, the French Government has made up three-quarters of this difference by means of subsidies. The elimination of the subsidy would have made it impossible to sell coal from the Saar and from Lorraine in Southern Germany and would, thus, have upset production. The High Authority consented to the continuance of these subsidies, on condition t h a t their total amount should not exceed the sum required to limit the average loss of revenue by these two coal-fields to its present level of 200 French francs per ton, as compared to their current scale prices. Furthermore, any lowering of prices which might arise later from a reduction in the price-scale of German producers would not justify an increase in the subsidy, and any additional loss in revenue would fall on these coal-fields. Lastly, any increase in the receipts of these coal-fields which will be made possible by changes in transport rates, or in the conditions of competition in Southern Germany, will lead to a reduction of the amount of subsidy paid[30].

73. The " Charbonnages de France " are making péréquation payments to the various French coal-fields; i. e. those coal-fields which are the more favourably situated as regards revenue, make payments to assist those mines which are less favourably situated. These péréquation payments are intended to avert precipitate dislocation of production, and price increases. The levies paid have diminished progressively and, at the present time, amount to no more than 100 French francs per ton of coal mined; their gradual elimination is anticipated by the " Charbonnages de France ". The High Authority has given its assent to the continuance of these levies as a temporary measure[31].

Germany

74. In Germany, special charges were imposed on the coal industry by the Federal Government in the form of price reductions granted to certain classes of consumers. In t h e case of hard coal, these charges amounted to 15 DM per ton, on the average, for consumer groups comprising domestic consumers, high-seas fisheries, maritime shipping, and non-federal railways, and to an average of 5 DM per ton for the Federal Railways, inland shipping, gas works and electric power stations (supply of current to households). In the case of lignite briquettes, the reduction in price was 6 DM per ton for deliveries to domestic consumers. These

30. Decision N° 16-53 of 6th March, 1953 (Official Gazette of the Community of 8th March) and letter addressed to the French Government, dated 8th March, 1953.
31. Letter addressed to the French Government, dated 8th March, 1953 (Official Gazette of the Community of 13th March, 1953).

special charges imposed on the mining industry are undesirable, since they lead either to a reduction in the revenue of this industry, or to an increase in the price to other consumers. The High Authority laid special emphasis on these adverse effects during its discussions with the representatives of the Federal Government, and has examined to what extent those special charges could be eliminated without detriment to the economy. The High Authority felt that the elimination of price reductions granted to electric power stations and gas works for supplying current and gas for domestic purposes would have only a very slight effect on the cost of living. The reductions granted to German maritime shipping constituted a dual pricing system which tended t o distort the conditions of free competition between German shipping and that of other Community countries. For these reasons, the High Authority refused, in both cases, to allow these special charges to be continued beyond 1st April, 1953. The complete abolition of the preferential terms granted to the Federal Railways and to inland shipping would be likely to result in charges which would prove too heavy for these consumer classes. The High Authority has, therefore, brought down t h e price reduction to an average of 4 DM per ton. As far as inland shipping is concerned, this has been authorized only on condition t h a t the reduction shall apply to all the Rhine shipping companies irrespective of nationality, in so far as they obtain their supplies of coal on Federal territory. The reduction in price granted t o the non-federal railways had been raised to an average of 10 to 15 DM per ton when the Federal Government introduced the last price increase. This reduction has been cut down to 5 DM by the High Authority. Lastly, for social reasons, the High Authority agreed t h a t until further notice the special charges imposed on the mines by a price reduction in favour of domestic consumers and high-seas fishery should be continued.

75. All these authorizations in respect of the continuance, for the time being, of special charges were granted on condition t h a t the hard coal and lignite mines in Germany should bear the charges arising from the application of these reduced prices, even in cases where the tonnage is derived from other coal-fields in the Community[32].

Netherlands

76. The compensation system applied in the Netherlands was designed to ensure that the price to consumers would be the same for each grade of coal, whatever its origin or destination. The Netherlands Government intends to abolish this system as quickly as circumstances will permit. It has already been modified in order to eliminate dual pricing. Hitherto, the Netherlands mines received for home sales a part (fixed by the Government) of the price paid by the consumer, whereas they sold for export at whatever prices they could obtain from the customer. Since 10th February, a péréquation levy has been incorporated in the pithead price, so t h a t they are in a position to quote the same price, including the levy, both for sales in the Netherlands and throughout the remainder of the Common Market. The High Authority is in agreement with the point of view taken by the Netherlands Government, according to which any abrupt abolition of the price-equalization syst em would involve the Netherlands in serious economic difficulties. The High Authority has agreed to the temporary continuance of a péréquation fund financed by a levy on coal produced in the Netherlands, whatever its destination, provided that the compensation payments will not result in a reduction of the prices to Netherlands consumers below those which they were paying at the date of the establishment of the Common Market for coal; the prices charged for the various grades must not, however, exceed the price limits laid down by the High Authority plus transport charges[33].

Luxembourg

77. In Luxembourg uniform " delivered " prices have been fixed while the prices of domestic categories and grades have been reduced. These reductions are financed by increases in the prices of fuels purchased by industry. An alignment of this system with the provisions of the Treaty is still under consideration.

Italy

78. At the present time, Italy's coke requirements are met entirely by the production of the indigenous coking plants. To protect these coking plants against excessive imports, the Italian Government introduced import duties. The Convention containing the Transitional Provisions takes this special situation into account. By virtue of this Convention, and to enable a fresh examination of the position to be held within the shortest

32. Those arrangements are covered by the decision N° 25-53 of 8th March, 1953 (Official Gazette of 13th March) and by a letter addressed to the German Government, dated 8th March, 1953.
33. Decision N° 29-53 of 30th March, 1953.

possible time, the High Authority has provisionally authorized the Italian Government to levy a customs duty up to 31st March, 1953, on the coke imported from other member States. This new examination is now taking place.

Péréquation Levy in favour of Belgium and Italy

79. To meet the difficult conditions and high production costs in the Belgian and Italian coal-fields when they are integrated into the Common Market, the Convention provides for a péréquation levy to help these areas. As regards the Belgian mining industry, t h e péréquation levy is intended to reconcile the prices of Belgian coal with those of the Common Market, so that, at the end of the transitional period, these prices will approximate to the estimated cost of production. Assistance is given to the Italian mines to make it possible for them to meet competition in the Common Market until such time as the installation of new plant, now being undertaken, is successfully concluded. The péréquation levy was to be calculated at a level which should not exceed the subsidies paid by each of the Governments.

80. The amounts payable to the Belgian collieries for the above purpose are made up, on the one hand, of subsidies already being paid by the Belgian Government before the establishment of the Common Market, namely 200 million Belgian francs, and, on the other hand, of a sum of 29 Belgian francs per ton mined. This latter amount represents the difference between the prices given in the old list, according to which the present receipts of the enterprises will be maintained, and the sale prices in the new scale, namely, the prices at which the mines must sell their products from now on. The total of these two items can be reckoned at about 1,100 million Belgian francs, or 22 million EPU units of account. To this must be added a reserve of 250 million Belgian francs, i. c. 5 million EPU units of account, which allows of an adjustment in the selling scale and, if necessary, after authorization by the High Authority the adjustment, in some of the countries of the Community, of the prices paid for Belgian coal to the prices in force in the Common Market. For this purpose, according to the Transitional Provisions, it is provided that 80 % of the difference ? recognized by the High Authori ty ? between the pit-head price of Belgian coal and coal from other countries of the Community plus transport costs to its destination can be granted as péréquation payments. The péréquation levy for the Belgian iron and steel industry, for which provision is made in the Convention, is not necessary, since the price of coking coal has already been readjusted. The total amount to be found for the Belgian collieries is, therefore, 1,350 million Belgian francs, of which half ?? namely 475 million Belgian francs in addition to the 200 millions granted up to now ? is to be provided by the Belgian Government, and the other half, namely' 675 million Belgian francs, is to be provided by the collieries of the German Federal Republic and the Netherlands.

81. The Italian collieries at Sulcis are worked by a company belonging to the Italian State. The deficit in their balance has been met up to now by the State. The Italian Government has agreed t h a t this sum may be considered as a subsidy within the meaning of the Convention containing the Transitional Provisions, and, as such, subject to the authorization and control of the High Authority. Subject to a definite settlement between the Italian Government and the péréquation fund when accounts are closed for the financial year 1953, the High Authority has agreed to place at the disposal of the Sulcis mines a monthly amount representing l/24th of the loss during the previous financial year. The total deficit at Sulcis is 6 million EPU units of account, and half of this would be required to be met by Germany and t h e Netherlands.

82. The total péréquation levy, therefore, amounts at the present time to 33 million EPU units of account. Half this amount will be met by a péréquation levy of 1.10 % of the average receipts of the German and Netherlands collieries before the recent price adjustments, i. e. less t h a n 1 % of their present receipts. The levy is, therefore, less than the r a t e of 1.5 % provided for by the Convention. The absolute amounts represent 0.55 DM per ton for the German mines, and 0.42 fl. per ton for the Dutch enterprises. These figures are based on calculations which must be re-examined by the High Authority whenever the need may arise.

Iron ore

83. As has been stated in Chapter III, the position of the iron ore market in the six countries of the Community was in balance at the beginning of 1953. This was due to the increase in production and the possibility of importing iron ore from Sweden, North Africa and other third countries at prices comparable with those of the internal market. The establishment of the Common Market for iron ore on 10 th February 1953 did not, therefore, entail the risk of creating disturbances in t h e supply situation, or any abrupt changes in price. It was unanimously recognized that the situation did not justify declaring the existence of a shortage or fixing maximum prices. Before the establishment of the Common Market for iron ore, the internal prices charged by French enterprises were fixed by the Government and kept at a low level. Their export prices were fixed commercially by arrangement and depended on world prices for iron ore. Since 10th February, 1953, internal prices have been free, and the adoption of a single scale for all destinations means that prices have been

raised considerably for French clients (from 854 to about 1,240 francs) and slightly reduced for other markets (from 1,325 to about 1,240 francs). The effect of the rise in prices to French clients has been only a limited one, because of the cordial relations existing between the mines and the consumers in general.

Scrap

84. The situation in the six member countries differed widely and was of no little complexity before the Common Market for scrap was established. Distribution systems varied from one country to another, ranging from a complete freedom in the Belgian-Luxembourg market to strict Government control in France and the Netherlands. Prices for a similar grade of scrap varied at the end of 1952 between 22.50 dollars in the Netherlands and 58 dollars in Luxembourg, but the weakening of the steel market has considerably reduced these differences, and when the Common Market was established, the prices of scrap in Germany, France, Belgium and Luxembourg, and also on the Italian internal market, had reached a comparable level. Only the Dutch prices, fixed by the Government, had remained at an exceptionally low level, but the iron and steel industry of the Netherlands had realized that, in the Common Market, the low price could not possibily be maintained. Moreover, the difference between prices within the Community and import prices remained considerable. Furthermore, the scrap resources of the Community are insufficient to cover the needs of the iron and steel plants, as has been shown above[34]. The shortfall is relatively small, but so far it had been met by imports from third countries. It was to be feared that complete liberty of prices might, if applied to the total tonnage bought, bring the price up to the high level asked for marginal scrap imported from third countries. An effort was, therefore, made to find a system which would keep the price of scrap within the Community low enough to ensure that there would be no increase in the production cost of steel, but sufficiently high to ensure t h a t normal tonnages would.be collected, and to prevent the thoughtless use of scrap where it was merely auxiliary material and not a raw material of primary importance.

85. The overall position being such that i t was possible for the Common Market to function if péréquation measures were instituted for imported scrap, the High Authority took the following steps :

a. It granted the scrap market a transitional period running from 9th February to 15th March, 1953. During this period it arranged for an allocation of scrap, in conformity with Section 2 of the Convention and of Article 59, para. 3, of the Treaty, alloting. in principle the scrap resources of each member country to that country, but at the same time authorizing the export to Italy of 5,000 tons of German scrap and 20,000 tons of French scrap[35].

b. This transitional period came to an end on 15th March, and the free movement of scrap within the Community began to operate. A first safeguard was provided by the fixing of a maximum price amounting, for category 1 1[36] of account for the period 15th March to 15th June, 1953, and to 31.50 EPU units of account per metric ton after that date. A trading margin of 1.50 EPU units of account may be added to this price. A uniform classification of grades was adopted for the Community, and the Community was itself divided into nine fixed zones according to distance from the centres of consumption. The maximum price was reduced by from 0.50 to 4.50 EPU units of account in the different zones, to allow, to a certain extent, for transport costs, the prices depending on whether the goods were sent by rail, road, or water[37].The fixing of prices decreasing as time went by was intended to prevent speculative stock-piling, while in each zone prices were fixed ex point of collection to keep them sufficiently low for the users, and to encourage scrap collection.

c. A scrap organization has been authorized by the High Authority, following conversations with consumers and merchants and consultation with the Council of Ministers and the Consultative Committee. This organization comprises :

> *The setting tip of joint offices for consumers and merchants to maintain permanent contact between the two groups for the purpose of studying everything concerning scrap, both in the Common Market and in external markets;*

34. See Chapter III, Section 3, page 222.
35. Decision N° 2-53, of 7th February, 1953 (Official Gazette of the Community of 10th February.)
36. Iron and/or steol scrap of 5 millimetres of more in thickness, free from bulky hollow pieces of maximum dimensions of 1.50 X 0.50 X 0.5 centimetres.
37. Decision N° 28-53, of 13th March, 1953 [Official Gazelle of the Community of 15th March).

The setting up of a board for consumers of scrap in the Community, which will have a dual function; first, to assemble the necessary data with regard to the requirements and available supplies of scrap in the Community and, more particularly, to provide information for the High Authority; and, secondly, to conduct joint negotiations for the purchase of scrap to be imported from third countries without, however, becoming a party to the contracts ;

The institution by consumers of scrap of a péréquation fund, on an independent basis, under the control of the High Authority.

86. The High Authority has given special attention to eliminating from this organization anything which might be contrary to the provisions of the Treaty with regard to agreements [38] . In particular, any new bodies which may be set up will not be competent to deal with the question of distribution, should the organization be unable to meet all requirements. In t h a t event, the procedure laid down in Articles 46 and 59 of the Treaty would apply. The High Authority has requested t h a t all boards or other organizations now in existence whose activities are not compatible with the provisions of the Treaty should be wound up. The new scrap organization itself is only authorized up to 31st December, 1953.

5.3. General problems arising from the operation of the Common Market

87. Apart from the special measures to be taken towards the establishment of the Common Market for coal, iron ore and scrap, the operation of the Common Market raises certain general problems.

Turnover taxes

88. The question of the different treatment accorded to sales in the Common Market by producers belonging to different countries having different systems of taxation raises a problem which has a serious impact on the smooth operation of the Common Market. Despite the elimination of customs barriers, the products of the Common Market still pass from one taxation system to another when they move from one country of t h e Community to another. A solution should, therefore, be found which avoids superimposing taxes of the same kind, and which thus enables products to move freely throughout the Community. The High Authority informed the Council of Ministers, the Consultative Committee and the Market Committee of t h e Common Assembly that it intended to convene a Committee of Experts in order to assemble all the relevant data on this important subject. It considers that, in view of the complexity of this question and its repercussions on trade within the Community, the report presented by the Committee should be given the widest possible publicity. It is of prime importance t h a t the European Community, not only from the standpoint of its immediate operation, but also because of the hopes placed in it by the peoples of Europe, should enjoy general support and go forward in an atmosphere of cooperation capable of dispelling mistrust and suspicion. The High Authority has resolved not to take any decision applicable to all products of the Common Market for coal and steel, until the results of this inquiry are known. When publishing its decisions on coal prices, it therefore made the following declaration : " The system of taxes applicable within the Common Market to products sold outside their country of origin has been discussed. In order to solve this problem in accordance with the provisions of the Treaty, the High Authority intends to collect all the data established with complete objectiveness on the practices which are being followed at present. It has, therefore, decided to set up a committee of independent experts. On conclusion of the work of this committee, the High Authority will take the necessary measures in order to apply, to the factual situation as found, rules in conformity with the Treaty and likely to advance the functioning of the Common Market. In t h e meantime, t h e enterprises may, in accordance with existing regulations and the usual practices followed in each country in respect of turnover taxes, either include the amount of these taxes in their schedule of prices or add this amount to their schedule of prices as a separate item. The final decisions of the High Authori ty based upon the report of the Committee of Experts will establish rules to be applied in the transactions on the Common Market to the amoxmt of the tax from which the seller is exempted or for which he is not definitely liable. "

89. The Committee of Experts was set up, and its members were appointed, by virtue of Orders Nos. 1/53 and 2/53 dated 5th March, 1953 (Official Gazette of 7th March). Under the chairmanship of Professor Tinbergen, the Committee further consisted of Professor Ferdinando di Fenizio, of the University of Pavia, Professor Léo Dupriez, of the University of Louvain and Professor Brian Reddaway, of Clare College,

38. See below, Section 3, p. 265, para. 94.

Cambridge. It was assisted by Professors Coart-Fresart, Reuter, Sch'moelders, Smeets, Visentini and Wirtgen. The Order setting up the Committee of Experts defined the purpose and general framework of its task. The following questions were put to the Committee :

89.1. In view of the diversity between the turnover taxes in the different countries of the Community (Umsatzsteuer in Germany, taxe de transmission in Belgium, taxe à la production et sur les transactions in France, I. G. E. in Italy, impôts sur le chiffre d'affaires in Luxembourg, omzetbelastinginihe Netherlands), what would be the economic consequences on the operation of the Common Market :

a. of a system which, by making exemptions from export duties and compensations for import duties, would impose on the products concerned the turnover tax of the count r y of destination;

b. of a system which would apply to these products, irrespective of where they might be delivered within the Common Market, no taxes other than t h e turnover t a x of t h e country of origin?

89.2. What exactly are, presented... in the form of a comparative table, the turnover taxes, on the one hand, and the methods of providing exemption from export duties and compensation for import duties, on the other, as practised in the different countries of the Community.

89.3. What are the effects on the prices of the home-produced product, on t h e one hand, and of products emanating from other countries of the Community, on the other, of practices at present in force in regard to turnover taxes? (Illustrate these effects by a few examples showing the practice followed in the different countries.)

89.4. Do cases exist in which, on leaving its country of origin, a product benefits by exemptions or rebates of a higher or lower amount than that of the turnover taxes borne by the same product when sold on the home market?

89.5. Do cases exist in which a product coming from another country of the Community carries compensation duties of a higher or lower amount than that of the turnover taxes borne by the corresponding home-produced product?

89.6. There should be an examination, in the light of a table giving the denomination, basis of assessment and rate of various indirect taxes in the different countries of the Community, as to what extent practices in regard to exemption and compensation cover taxes other than turnover taxes.

90. The Committee of Experts met from 17th March to 8th April. It heard the views of the representatives of the Netherlands, Saar, French, German, and Italian Governments. The Luxembourg and Belgian Governments stated that they would not express their opinion before the Committee. Fourteen notes and memoranda were submitted to the Committee, which also heard the delegates of eight professional organizations. Its report was passed to the High Authority on 8th April, and will be published.

Depreciation and price-scales: comparability of figures

91. The High Authority has continued its study of methods of finding comparable bases for calculating depreciation and pricescales in the various countries of the Community, in accordance with the provisions of Section 2, paragraph 5 of the Convention.

92. Calculation of depreciation : The object of this study is not to lay down an accounting scheme or uniform mandatory rules but to arrive at a clear analysis of t h e various provisions made by the enterprises, with a view to drawing up a kind of comparative table. The replies to a first series of questionnaires have been analysed, and their examination has led to the following conclusions :

a. In regard to distinguishing between capital expenditure and current expenditure, i t has been found t h a t there is a wide measure of similarity in the treatment of certain outgoings. For example, the initial installation of machinery and equipment, or work preparatory to the general adoption of a new production technique, are covered by capital expenditure. It was, therefore, possible to restrict the problem to studying an indeterminate zone affecting, in particular, renewals of existing plants, and here differences can be observed ' between one country and another. It was also confirmed that some flexibility might often exist in this zone, not only as between one enterprise and another, but also from one year to the next. In order that this zone may be more clearly defined, a second study is now being made in regard to coal mines ; it will comprise an item-by-item study of the classification adopted and of the rates applied.

b. A further object of this second study is to determine the relative importance of depreciation in relation to other elements constituting coal production costs. In fact, it seemed necessary to devote very great attention to the calculation of these costs, since the t a x regulations concerning depreciation are important to the extent that they determine the attitude of the enterprises. It may already be considered a proven fact that within the national coal-mining industries, there does exist some measure of uniformity in regard to the calculation of costs (except in the Netherlands). Basic values come close to replacement values, or, where this is not t h e case, they take account of the scheduled purchase price in accordance with certain conditions, and the r a t e used is a constant one.

93. Price-scales : The working party convened by the High Authority to study comparability of price-scales had worked out a questionnaire the object of which was to assemble basic documents on the nomenclature of grades and on the factors determining the price-scales. (a) As regards nomenclature, it was decided, in view of the work now in progress at the Economic Commission for Europe (E. C. E.) on uniform terms for the different grades, to make use, for the time being, of the definitions and classifications now in use in the various coal-fields. For this reason, when decisions were taken on the determination of maximum prices, definitions at present in force have been used. Consultations with a view to establishing uniform nomenclature are being continued. The High Authority is following with great interest the work of the E. C. E . , in which representatives of t h e Governments and coal-fields of t h e Community are participating. (b) In regard to the factors determining the price-scales, the replies to the questionnaires have enabled a general picture to be obtained of the selling methods practised by the enterprises. The inquiry has made it possible to formulate draft decisions on the publication of price-scales. It is intended to continue the talks on the possibility of harmonizing the various factors on the basis of the price-scales and terms of sale published by t h e enterprises.

Agreements and concentrations

94. AUnder the terms of the Treaty, existing concentrations do not require the previous approval of t h e High Authority; this rule applies in principle only to concentrations formed after the Treaty has come into force[39]. However, there is a prohibition on all agreements among enterprises, all decisions of associations of enterprises, and all concerted practices which would tend, directly or indirectly, to prevent, restrict or impede the normal operation of competition within the Common Market. Nevertheless, all information on agreements or organizations of this nature, which must be communicated to the High Authority, will be examined case by case, to ascertain whether approval may by granted in accordance with the Treaty. Where such approval cannot be granted, the High Authority will lay down the time-limit by which the prohibitions laid in t h e Treaty shall become effective.

95. These provisions of the Treaty will, of course, be applicable only to those products for which the Common Market has been established. It is, therefore, the duty of the High Authority to deal immediately with agreements and organizations which were in existence when the Common Market for coal, iron ore and scrap was established. For the most part, such agreements and organizations have a very comprehensive task to perform. They have inter alia to safeguard supplies to co2isumers and to make an allocation of those products of which there has been a serious shortage during the post-war period. These tasks were carried out, in the various countries, under the more or less strict supervision of t h e national Governments. The High Authority is determined to ensure the application, within as short a time as possible, of those provisions whose object is to safeguard free competition in the Common Market. It is, however, aware of its responsibility not to jeopardize the regular flow of supplies to the market. It, therefore, considers t h a t it should not prohibit existing agreements and organizations, where such, prohibition is called for, until the work in connection with supplies which had been the responsibility of these bodies, has been taken over either by new organizations conforming to the spirit and letter of the Treaty, or by already existing organizations whose structure will have undergone the necessary changes.

Iron ore

39. The High Authority will exempt from the requirement of prior authorization those classes of transactions which, by the size of the assets or enterprises which they affect, taken together with the nature of the concentration they bring about, must in its opinion be held conform to the conditions required by the Treaty. (Article 66.)

96. In the iron ore industry there existed producers' organizations which had an influence on the fixing of prices in the various mining areas. The High Authority has established contact with the parties concerned, who have expressed their intention of winding up the organizations in question.

Coal

97. The most complicated problem is that raised by the transformation, or possibly the prohibition, of agreements and organizations in the coal-mining industry. There are profound differences in the situation as between one country and another, but in all producer countries certain organizations have t h e function of safeguarding supplies by measures which must be examined in t h e light of their compatibility with the provisions of the Treaty. The examination has already begun, and will be completed as speedily as possible. The central sales organization for Ruhr coal was transformed, before t h e Common Market for coal was established, by the Allied High Commission. The latter has taken provisional decisions with the reservation that the new organization, of which it has established the broad lines, shall be subject to t h e authorization of the High Authority. An examination of this organization is in progress. In the other countries of the Community, the High Authority is also beginning a study of the existing organizations. Results of these studies are not yet available, but it is probable that some of the organizations -will not be authorized in their present form.

98. Experience gained, both in Member States and in countries outside the Community, from the application of provisions similar to those of the Treaty showed t h a t decisions on this subject must not be taken until the various solutions have been carefully weighed one against the other. The High Authority intends actively to promote t h e practical application of the provisions dealing with agreements and concentrations, since these provisions are of fundamental importance to the smooth functioning of the Common Market. In doing so, it intends to avoid using any drastic measures in an economic sector in which there has been no free competition for a long time. Guided by these general principles, the High Authority has embarked upon the application of Article 65 of the Treaty, so far as scrap, iron and coal are concerned.

Scrap

99. The problems raised by the establishment of the Common Market for scrap have been examined above, together with the temporary solutions adopted[40]. In particular, the High Authority has decided t h a t the organizations responsible for allocating scrap or for the péréquation of scrap prices in the different national markets should be wound up and that the governmental regulations impeding the free exchange of this material should disappear at the same time. The new scrap organization has been authorized by the High Authority under conditions which ensure t h a t it is compatible with the provisions of the Treaty, in particular with Article 65 concerning agreements; it is supervised by the High Authority.

100. The discussions which led the establishment of this organization were long and difficult, but all concerned showed a readiness to co-operate with the High Authority in pursuing t h e aims of the Treaty and in conforming with the obligations laid down therein.

6. CHAPTER V - Labour problems

101. The Treaty requires the High Author i ty (Article 46, paragraph 5) " to collect the information necessary for an appreciation of the living and working conditions in the industries under its supervision and of the risks which those living conditions may encounter". On the other hand, the Treaty gives t h e High Authority the power to instigate action in certain cases : to direct and facilitate the action of Member States in matters concerning the freedom of movement of workers (Article 69); to prevent States or businesses having recourse to a policy of low wages as a measure of competition (Article 68) ; to obviate the consequences of the introduction of technical processes or new equipment on the level of employment, especially by facilitating the productive re-employment of redundant workers (Articles 46, 56 and 58). All such operations may become necessary, as the Common Market develops and as the changes so essential to progress are made. The High Authority has till now concentrated on its preparatory task of defining its objectives, establishing its methods, making an inventory of its existing means and of the work to be undertaken, fn particular, it has demanded the drawing up of a statement on t h e manpower situation in the coal and steel industries of the Community by assembling all available information on the free movement of labour prior to applying the provisions of the Treaty; by conducting an inquiry into wages and conditions of work and by making a survey of the present position concerning occupational training. Finally, the High Authority has turned its attention to

40. See Section 2, of this chapter, p. 257, paragraph 84.

action required in the sphere of workers' housing conditions, in view of the inadequacy of housing within the Community and the importance of this problem in relation to improved productivity and a higher living standard as also to the increased mobility of labour.

6.1. Manpower situation

102. The preparation and study of this statement have been entrusted to a group of experts, who ,under the direction of the High Authority, are working in co-operation with the International Labour Office and the Organization for European Economic Cooperation. This Working Party is to draw up annually for each of the two industries of the Community a survey of :

a. the state of employment (according to age, sex and qualifications);

b. the state of unemployment (according to age, sex and qualifications);

c. manpower requirements and forecast of jobs available;

d. manpower available and forecast of applications for employment.

The first results of this work will not be available till the end of 1953. For that reason, the High Authority has, in the meantime, drawn up an interim survey of t h e situation. For this purpose, it has set up a Committee on Employment, consisting of experts from Governments, employers' associations, workers' organizations and the international bodies concerned. This Committee is divided into two sub-committees : one for the coal and lignite industry, the other for the iron and steel industry. These two sub-committees, which met on 4th March and 1st April, drew up an agreed definition of the various activities of the coal and steel industries, specified the categories of labour concerned, and started to collect information relating to the employment situation in the Community. The information acquired by means of this work will make it possible to obtain very quickly a survey of the state of employment in the iron mines. In the coal industry it has been possible to classify labour according to activity and age. In the iron and steel industry the data collected concern only the classification of workers employed according to their trade and nationality. These factors are being examined at the present time to ensure that they are comparable, and they will be published later.

6.2. Free movement of labour

103. Within the framework of the p r o A ' i - sions for the maintenance of a satisfactory level and distribution of employment, the High Authority has undertaken the activities demanded by Article 69 of the Treaty. This Article, the object of which is to bring about the free movement in the coal and steel industries, of workers whose qualifications have been confirmed, requires the High Authority to guide and facilitate the application by the member States of the measures provided for. These measures fall into two categories : the first demands national action by each Member State ; the second requires common technical preparation before the measures are put into operation involving :

a definition of the specialities and conditions of qualification for workers in the two industries of the Community;

a determination of the limitations imposed on t h e free movement of labour by the fundamental needs of health and public order;

elaboration of the technical procedures for co-ordinating offers of and demands for employment throughout the Community;

arrangements to ensure that social security measures do not impede the movement of labour.

A restricted Working Party was set up to prepare and direct this work. This Working Party held its first meeting on 30th March and established a preliminary working programme, which includes research into ways and means of providing within the Community, a common definition of the tasks appropriate to each "class of t r a d e " ; the perfection of a technique for the placing of workers and for co-ordinating offers of and demands for employment, and methods of improving social security conditions for migrant workers. As regards this latter task, although the High Authority is concerned with the position of workers in the iron and steel industry as well as with that of the miners, various circumstances have made in necessary first of all to co-ordinate t h e social security systems in the mines as applied to foreign workers. Coal mines coming within the jurisdiction of the Community employ about 120,000 foreign workers, while the iron and steel industry employs only 40,000. Furthermore, during the past three years, negotiations have been in progress with a view to drawing up an international convention to solve the problems raised by social security for migrant miners in Europe, and the International Mine Workers Federation has raised this question with the International Labour Office. The High Authority consulted the International Labour Office on this matter while at the same time conducting an inquiry

into social security for miners in the six countries. À list has been drawn up of t h e technical problems to be solved in order to arrive at an agreement which will be comjiletely satisfactory to the miners. The High Authority will inform the Governments of the Member States of the result of this preparatory work, and will suggest the adoption of a common procedure.

6.3. Wages and working conditions

104. In order to carry out an enquiry into t h e wages paid in the Community, it was necessary first of all to draw up a list of the forms of payment and methods of book-keeping used by t h e enterprises in t h e different countries.

The coal industry

105. In the coal industry these enquiries had to be accompanied by an effort to arrive at a common definition of net wages and a comparative picture of the earnings and net income of t h e miners. A Committee consisting of experts from the producers' organizations, the workers' organizations and the Governments met on 5th March. On the basis of the preliminary data obtained, the Committee was able to draw up a questionnaire to which it itself supplied the answers, and these were examined during another meeting on 2nd April. The results will be published. They provide data which, for the first time, rest on a basis common to the six countries of the Community, and constitute a starting-point for a fuller analysis, the objectives of which will b e :

a. to obtain detailed knowledge of the elements making up the wages, earnings and income of the miners, thus enabling comparisons to be drawn between the various countries and various mining districts ;

b. to obtain a knowledge of the level and structure of wages, of their variation and of the possibilities of harmonizing them with the progress made within the Common Market.

Iron and steel industry

106. An enquiry into the remuneration of workers in the iron and steel industry is beset with great difficulties. The iron and steel enterprises are integrated, to a much larger extent t h a n the coal mines, in economic groups which extend outside the Community. In addition, book-keeping methods dealing with manpower vary widely not only from one country to another, but also between different enterprises. No overall data exist on the social security contributions or benefits in the iron and steel industry, and none can be obtained through the competent administrative organizations for reasons bound up with the accountancy methods employed by the latter. In the face of this situation, the High Authority decided first of all to draw up statistics of average wages for the whole of the iron and steel industry of each country on the basis of uniform definitions. The enquiry was conducted on the same lines as in the case of the coal mines; the results will be published. It is now a question of collecting the data on earnings, income and labour costs at the level of the enterprises and of the oremining districts respectively. For the purpose of setting up a valid specimen statement of these elements for the iron and steel industry in each member State, the High Authority asked the associations of enterprises and the workers' organizations to select by common agreement, and with its assistance, a number of ore-mining districts in each country and a number of enterprises in each ore-mining area. The enquiry is now being conducted to establish :

the average wage in certain typical enterprises ;

the wage and earnings of the highest and of the lowest grade of occupation in the wage scale.

When this work has arrived at a point where a uniform definition of tasks and occupations in the Community can be given, the enquiry can be extended over a whole range of key occupations.

6.4. Occupational training

107. The level of the workers' earnings, the security and the progressive increase of their income stand in relation to the occupational training received[41]. This training makes i t possible for the workers :

to acquire full practical and theoretical qualifications of such a nature as to improve their chances of occupational advancement;

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41. The expression " occupational training " is used hero in its widest sense, and covers occupational training of juvenile and adult workers, re-education or rehabilitation, and the training of master craftsmen and key workers, etc.

to help them adapt themselves to technical improvements;

to make them more capable of moving from one district to another;

to achieve greater productivity;

to improve their safety at work.

Occupational training thus appears to be the focal point of the various tasks incumbent upon the High Authority under the Treaty. À survey of the situation has been drawn up with the help of information supplied by the International Labour Office and by direct contacts in t h e different countries. After establishing the main tendencies of the present situation, the High Authori ty proposes to use the following fundamental data as a guide to its action :

a. there is a general shortage of qualified workers ;

b. the modernisation of the coal and steel industries requires better qualifications on the part of the workers at all levels, and broader basic occupational training t h a n in the past ;

c. t e c h n i c a l p r o g r e s s demands a thorough organization of work, and, consequently, special attention must be paid to the training of t h e key workers and of those destined to act as leaders;

d. if labour is to be mobile, efforts must be made to harmonize training and make it more homogeneous; in order to achieve a truly open labour market within the Community, the blastfurnace worker or the miner must have a sufficiently wide training to retain his chances of employment whether in Lombardy, the Briey coalfield, at Campine or in the Ruhr;

e. although the rhythm and size of investment are the most important elements in the growth of production, occupational qualification also constitutes an essential factor in improving the output of new plant.

In order to complete and bring up to date the information collected and more especially to clarify the points to which the High Authority attaches a special interest, consultations with government experts, professional associations and workers' organizations will take place from 5th to 11th May, to determine the points on which action by the High Authority appears to be particularly desirable.

6.5. The construction of workers' houses

108. By t h e end of January, after consultation with a Committee of experts, the High Authority assembled the elements necessary for assessing housing requirements and obtaining information on the present building programmes in the coal and steel industries. Figures were still lacking which would enable the Authority to assess the relative urgency of the requirements in the different mining districts in relation either to the existing deficiency or to the expected increase in the number of workers. In order to achieve practical results as speedily as possible, work has been concent r a t ed on three main tasks :

a. lascertaining the structure of building costs, in order to find out at what point the effort to reduce these costs must be concentrated ;

b. a comparison of the building techniques in use in the different countries, in order to assess possibilities of standardization and co-ordination of programmes;

c. finding the most desirable administrative and financial technique to be used by the High Authority when taking action.

Although this work has not yet been completed, certain conclusions already emerge. On the one hand, it is economically advisable and technically possible to arrive at a certain state of rationalization in building methods, and at a standardization of pre-fabricated building units for the Community; on the other hand, research work in this field is being undertaken on a national scale in the six countries. The High Authority will, therefore, concentrate its efforts on a co-ordination of research and on experimenting with the results. Furthermore, t h e multiplicity of organizations responsible for directing workers' housing programmes in the six countries, and t h e complexity, which for the moment cannot be simplified, of the financial and administ r a t i v e schemes, have led the High Authority to study the legal and technical forms which its action in this sphere should take. Finally, a detailed enquiry was undertaken at the beginning of April to collect, district by district, the statistical information necessary for determining longterm targets for the construction of workers' houses. This enquiry must be concluded before the end of June.

109. The foregoing is in broad outline the action taken by the High Authority in the sphere of labour problems. Other activities are at the information stage. In particular, in the sphere of safety conditions for workers, the High Authority is waiting for the results of an enquiry before i t can determine t h e direction its future action will take. A preliminary meeting of experts on safety measures in the coal and iron ore mines has been convened for 29th April. With regard to working conditions, a plan is being prepared to ascertain the elements which, in the different countries, have a bearing on the " occupational career " of the workers within an enterprise, and to determine how elastic or rigid these factors may be. For judging the living conditions of workers, and the risks which they run, these elements are as important as a knowledge of real wages or of purchasing power.

7. CHAPTER VI - Investment activities and their financing

110. In pursuance of the general objectives which it had indicated in its Report published in January, 1953, the High Authority has continued its enqxiiries and investigations by means of consultations on the broadest possible basis with all the parties concerned. This is a long and exacting task which cannot be completed for several months. It is too soon for any reliable estimates to be submitted to t h e Assembly, and in matters such as this it is inadvisses able to put forward partial estimates before a general outline has been obtained. As soon as it is in a position to do so, and without waiting for its next annual report, the High Authority will inform the competent Committee of the Assembly of the progress i t has made, and of the conclusions it has reached.

111. Simultaneously with its work on the estimation of investment requirements, the High Authority is proceeding with preparations for carrying out its financial functions, and for securing credit for the Community. Considerable progress has been made in this direction. The Report on the situation of the Community indicated the fundamental decisions governing the institution of the levy, and stated that the High Authority had decided to fix the rate of levy in such a manner that, from an initial rate of 0.3 % on the January output, it would rise to 0.9 % as from 1st July, 1953. These decisions came into operation within the specified time-limits, and the initial payments have enabled the High Authority to proceed with the institution of a guarantee fund for its financial operations.

112. The fundamental decision with regard to the levy provided that the enterprises must declare, not later than the 20th of each month, their production during the previous month and make their payments before the 25th. It was essential, therefore, that the mechanism for collecting the levy should be completed before the 20th of February. The levy office was set up at t h e beginning of January. On account of the extremely simple nature of the formula which had been adopted as the basis for assessing the levy, only a very small staff was required. Most of the essential work is carried out by means of mechanical accounting equipment installed by the High Authority, and, at the present time, only four persons are employed in the levy office. On 11th January a request for a declaration of t h e production during the fourth quarter of 1952 was sent to 574 mines and to 434 enterprises in the iron and steel industry, which are subject to the levy. This preliminary test enabled a check to be made on the difficulties with which enterprises might be faced when drawing up their declarations, and on 5th February, an expiations natory circular was sent to them together with a specimen declaration. On 13th February, the High Author i ty designated the banking institutions where accounts were to be opened on 14th February, into which the proceeds of the levy are to be paid. In making these appointments, after consultation with the central banks, the High Authority was guided by the necessity for selecting a limited number of banking institutions in order to avoid overburdening its own administration, and for appointing, in each country, a small number of the most widely known deposit banks. The appointments comprise :

5 banks in Germany

3 banks in Belgium

5 banks in France and the Saar

3 banks in Italy

2 banks in Luxembourg

2 banks in the Netherlands

113. The mechanism for collecting the levy has thus been in operation since 15th February. Since 20th February the sums due on the January production have been paid into the accounts of the High Authority in the six countries. The total receipts were as follows :

on the January production : 1,505,942 EPU units of account;

on t h e February production : 1,351,192 EPU units of account[42]*.*

The receipts from the levy collected up to 30th June, 1953, will be used to meet the administrative expenses of the Community and t o repay t o t h e Member States half of the sums they had advanced to cover initial outlay, namely 1.5 million E PU units of account. The other half will be repaid during the second quarter. Part of the yields of the levy may also be employed for financing technical research on matters of definite importance to the Community as a whole. In these circumstances, the guarantee fund will have reached a total of some 6 million EPU units of account by 30th June, 1953, unless there should be an important change in the Community's volume of production. This fund will be divided up among the different national currencies in accordance with each country's contribution to the levy. The financial guarantee which the High Authority will be in a position to provide will thus correspond to the real guarantee on which it is based.

114. The gradual building up of the guarantee fund proves t h a t an important stage has been concluded. The High Authority has thus laid the first foundations of its activities in the financial sphere. It was essential that the High Authority should provide evidence of its financial resources before proceeding to initiate financial negotiations, and it is now in a position to undertake this further part of its task.

42. Provisional figure.