Parliamentary Assembly
Assemblée parlementaire
https://pace.coe.int

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 154
22 May 1953

Establisment of the common market for steel

Report

Contents **Page**

Introduction 1
1. Chapter I - The development of the steel market 3
Chapter II - The Establishment of the Common Market for steel 5
1. The measures adopted prior to the establishment of the common market for steel 5
2. Decisions concerning the establishment of the common market for steel 7
3. General problems concerning the operation of the Common Market 12

Introduction

1. The Common Market for coal, iron ore and scrap was established, 'as provided for in the Convention, six months after the commencement of the High Authority's activities, i. e. on 10th February. It was the subject of the greater part of the General Report of the High Authority, published on 12th April. In accordance with the Convention containing the transitional provisions, the Common Market for steel was t o be established two months after the opening of the Common Market for coal, iron ore and scrap, unless an extended time-limit was fixed by the Council of Ministers on the proposal of the High Authority. This extension was necessary. For, on 5th March, the High Authority had convened a Committee of independent experts who had been instructed to assemble data on the practices adopted in the different countries in respect of the taxes to which products sold outside their country of origin are liable. In order to give this Committee adequate time for conducting this inquiry, the High Authority had fixed 10th April as the date on which the experts' report was to be submitted. Consequently, the establishment of the Common Market for steel was postponed until 1st May, 1953.

2. Thus, as soon as the free circulation of the raw materials used by the iron and steel industry, i. e. coal and coke, iron ore and scrap, was assured, the steel industries found themselves in direct competition with one another. However, whether it be a question of steel or of raw materials, the general objectives pursued in connection with the establishment of the Common Market are identical. The object is to bring the industries into competition with one another on one vast Common Market comprising 159 million consumers, in order to promote economic expansion, the development of employment, and the improvement of the standard of living in the member countries.

3. While the general principles involved are the same, the technical problems to be resolved are of various kinds. None of these six countries has been imposing import duties on coal, iron ore and scrap, with the exception of Italy, which has done so on imports of coke. In the case of steel, customs barriers and quota restrictions existed and had to be abolished on 1st May, 1953 : the circulation of these products within the Community is now unrestricted. However, there remained the danger that imports from third countries would pass in transit through those countries of the Community which apply the lowest tariff rates in their relations with these third countries; special arrangements had to be made, in agreement with the Benelux countries.The position of the Community's iron and steel industry on the world market differs fundamentally from that of the coal and iron ore industries ; in coal, the Community is almost self-sufficient; the volume of its import trade with the other countries is approximately the same as that of its export trade. For supplies of iron

ore, the Community depends largely on imports from Sweden and North Africa. On the other hand, the Community's iron and steel industry is, to a large extent, an exporting industry; that is why this industry and the coal and iron ore industries react differently to variations in trade conditions. In the case of coal and iron ore, price-fluctuations develop rather slowly and to a moderate extent. In the case of steel, however, price fluctuations on the world market make themselves felt directly, quickly, and very strongly. Coal was subject to a complicated system of discriminations and subsidies which necessitated a separate inquiry for each individual country. In the steel sector, on the other hand, Government intervention was in most cases confined to the fixing of maximum prices within each country. These measures were abolished with the establishment of the Common Market, and only Italy was allowed, under the Convention containing the transitional provisions, to retain a special system during the transition period. The competitive conditions also depend, in the one industry as in the other, on widely different factors. In the case of coal, the output capacity is influenced essentially by the nature of the deposits whose location and character are unchangeable. The enterprises of the iron and steel industries, however, can choose their own locality according to supply facilities, production conditions, and markets; moreover, the factors involved in their cost price are determined by the technique and methods of production, the available plant, the degree of specialization, the extent of mass production, as well as the location of the enterprises. Finally, transport plays a very important role in the relative price situation between the individual coal-mining areas. The value of coal is relatively small in relation to its weight, so that the pithead price of coal increases rapidly with the distance over which i t is transported from the mine. In the case of iron and steel products, transport charges represent a much smaller portion of the “delivered” price and, therefore, afford less protection against competition. On the other hand, transport charges are an essential element of the cost price because of the important part played by raw materials in the manufacture of these products. As for the products themselves, they also embody a much larger variety; true, coal comprises a large number of categories and grades, but these can, to a certain extent, be interchanged and utilized largely for the same purposes. The production of iron and steel, on the other hand, involves numerous manufacturing stages, and there are many different qualities of steel with an extensive range of products which are different in profile and dimensions.

4. These characteristic features of the iron and steel industry lead to certain conclusions concerning the pre-requisite conditions for the establishment of the Common Market for steel. Above all, competition between the industries is likely to be much more intense than in the case of coal. With coal, the varying distances counterbalance differences in price; the present production capacity is fully needed to cover requirements, and the development of new facilities for replacing one production by another is a long-term job. The products of the iron and steel industry, however, can be transported over great distances. It is found, in practice, that, in view of the variety of its products and the importance of its exports, this industry has nearly always an unused margin of productive capacity. However, though competition is more intense, the industrialists have many more means at their disposal for meeting such competition. The economic advantages offered by one vast market are considerable for the iron and steel industry, because its production, which is industrial in the fullest sense, has much greater scope for improving the quality of the products and lowering the cost of production through greater specialization and extensive mass production. The variety of products makes the problem of the structure of the different prices particularly acute. There are price differences between the various profiles and dimensions which are, no doubt, accounted for by the cost of production of the demand, but partly also by factors which are peculiar to each one of the closed markets. Competition must adjust the price-range, much more than it has done hitherto, to actual production conditions, for the greater benefit of the consumers and in the interest of a more rational division of the resources. Finally, the diversity of the factors which play a role in the competition between the steel industries, the multiplicity of the means of adjustment at the disposal of the enterprises, as well as the changeability of the level of activity, explain why the precautionary measures are totally different from these provided for the coal mining industry. There can be no question of plans laid down in advance for definite measures of application with fixed time-limits, such as the péréquation measures adopted in respect of Belgian coal. The measures to be adopted in the steel sector must be infinitely more varied in detail and more flexible. It is essential to watch the development of the market constantly, and to take action at a moment which cannot be foreseen; but the type of action must be adapted to the difficulties as and when they do arise. The main problems connected with the preparation of the Common Market for steel were the following : Deciding on a customs tariff policy to be adopted in relations with third countries; comparing price-scales; settling the technical criteria concerning the application of precautionary measures. The industrialists remain responsible for carrying through the necessary measures of adaptation, and can in no way be relieved of this responsibility. In short, the attainment of the economic and social objectives pursued with the establishment of the Common Market depends very much on the industrialists' conduct under the influence of the competition.

5. Following a brief outline of the recent development of the steel market, this report contains an exposé of the measures taken prior to the establishment of the Common Market, particularly in custom matters, as well as an analysis of the decisions taken by the High Authority in connection with the establishment of the

Common Market. Finally, this report examines the general problems connected with the operation of the Common Market : precautionary measures, the system of special steels, turnover taxes, cartels and combines, technical research and improvements in workers' safety.

1. Chapter I - The development of the steel market

6. One of the main features of the development of the market has been the drop in exports during the past year. As far as volume is concerned, exports of crude steel, semi-finished and finished products dropped by 15 per cent from 1951 to 1952 :

Table No. 1 - Crude iron and steel exports of the Community countries[1](in thousand tons)

Year	Crude iron	Crude steel semi-finished products finished products
1948	487	3.782
1949	554	5.407
1950	1.099	7.671
1951	1.113	9.399
1952[2]	904	7.957

7. At the same time a perceptible fall in prices occured in the major export markets. Within less than a year, the prices of merchant steels dropped from $ 130 per ton (February 1952) to $ 84 (at the beginning of 1953), i. e. a drop of nearly 40 per cent. The overall development since 1950 reflects not only the speculation and excessive stock-piling during the boom which followed the outbreak of war in Korea, but also the attitude of reserve adopted by the importers, an attitude which was strengthened by their expectation that the American iron and steel industry would again play an important role before long.

Table No. 2 - Development of export prices for merchant steel [in S per ton) [3])

Période	Price	Période	Price
June 1949	96	July 1952	110
December	58	August	110
June 1950	53	September	110
December	120	October	110
June 1951	150	November	100
November	145	December	96
January 1952	140	January 1953	90
February	130	February	82[4]
March	125	March	84
April	120	April	84
May	115		
June	110		

However, these expectations did not materialize as a result of the prolonged strike which broke out in the American iron and steel industry in the middle of 1952. The loss of tonnage caused by this strike led to expectations of a hardening of prices. As can be seen from the above table, however, this strike has at the most merely checked the falling of prices. For the loss of production was counterbalanced by withdrawals from stocks.

1. As given in *Bulletin de statistiques de la Chambre syndicale de la Sidérurgie française*, march 1953.
2. Estimates.
3. For 1040/1951 : « Economic Survey of Europe in 1951 », p. 208; for 1052 : « L'usine nouvelle ».
4. As a matter of fact, some contracts have been concluded for as low as $ 72.

Alongside these events, two other factors have influenced the development of world market prices : the economic difficulties experienced by certain overseas countries which have always been importers of steel, and the re-appearance of Japanese steel on the world market ; Janapese steel has on occasions entered into competition with the iron and steel industry of the countries of the Community in their own national markets.

During March and April, 1953, the price of S 84 represented a level at which – with but few exceptions – the export prices were on the whole able to maintain themselves. This limit constituted the basis for the agree merit concluded between the producers. At the moment, the High Authority is examining whether this agreement is compatible with the provisions of the Treaty.

At the beginning of 1953, export prices had reached, and even exceeded, the level of the French, Belgian, Dutch and Luxembourg home-market prices, while the German home-market price was still above this limit.

8. On the home markets of the Community, the reserve of the buyers, in anticipation of the establishment of the Common Market for steel, contributed to the shrinking of the demand. In France, both consumers and dealers held back with orders, although the seasonal industries (motorcars, agricultural machinery, building trade) reported a certain revival of trade; requirements have partly been met by withdrawals from stocks. A similar reserve on the part of the buyers is also noted in Belgium and Luxembourg; but they are demanding very short delivery times, so that one can assume that their stocks are exhausted. In Italy, too, the situation is marked by reduced stocks ; the maximum prices which were officially fixed in April, 1951, have not been attained for some months past. The German home market still shows signs of a lively demand ; stocks are low. The traditional flow of trade between the countries of the Community has been maintained. Italy and the Netherlands have been able to import the quantities of which they have been short from the countries of the Community. France and Belgium have found additional outlets on the German market, while Germany was mainly able to sell certain classes of products, such as special steels as well as large forgings and castings, in the Benelux countries. Delivery times are not so long as they were in 1952. They are kept within reasonable limits; from four to eight weeks in France, Belgium and Luxembourg, and from two to three months in Germany. Delivery times are, however, longer for heavy plates. The following table shows the position of the foreign trade in finished products in the countries of the Community in 1952.

Table No. 3 - Tableau n° 3 Foreign trade in finished products in 1952[5]

Country	Exports to third countries	Exports to countries of the Community	Imports from third countries	Imports from countries of the Community
	In per cent of production		In per cent of market requirements [6]	
Germany	8,6	1,6	0,3	6,2
Belgium	44,0	18,2	0,3	31,8
France[7]	17,7	4,0	0,3	0,2
Italy	0,5		4,6	5,7
Luxembourg	51,6	45,6		
Netherlands	14,8	2,9	7,0	61,1

9. In spite of the falling off of exports, the production of the iron and steel industry of the Community countries has been maintained at a high level.

Table No. 4 - Tableau n° 4 Production of crude iron and steel in the countries of the Community (in million tons)

Year	Fonte et ferro-alliages Tons	Increase over preceding year %	Crude steel Tons	Increase over preceding year %
1938	28,8		32,8	
1949	24.1		28,7	
1950	26,1	8,3	31,8	10,8

5. In per cent of tonnage.
6. Market requirements = production + imports - exports,
7. Non compris les demi-produits pour tubes.

Year	Fonte et ferro-alliages Tons	Increase over preceding year %	Crude steel Tons	Increase over preceding year %
1952	34,8	10,8	41,8	10,9
1st quarter 1952	8,5		10,3	
lst quarter 1953	8,7	2,8	10,7	3,1

During the first quarter of 1953, the production of crude iron and ferro-alloys in the Community increased by about 2.8 %, compared with the production during the first quarter of 1952. In the case of crude steel, the increase during the same period amounted to 3.1 %. Compared with the preceding years, this development amounts to a perceptible straightening of the hitherto ascending production curve.

The increase of production as shown in the above table No. 4 is the result of divergent movements in the individual countries.

At the beginning of 1953, the production of crude steel in Belgium, Luxembourg and Italy is slightly below that for the corresponding period of the preceding year; production has increased in France, the Netherlands and Germany.

10. As stated in the General Report on t he activities of the Community[8], the supply situation as regards raw materials for the iron and steel industry, has lately improved. In the immediate future, the iron and steel industry's supply situation will depend largely on the development of the industries' own production. If the production of crude steel is maintained at its present level for some time to come – and there are indications that this will be the case – the supply of factories with raw materials will be assured without difficulty.

Chapter II - The Establishment of the Common Market for steel

1. The measures adopted prior to the establishment of the common market for steel

11. The establishment of the Common Market for steel had to be preceded, as had been the establishment of the Common Market for coal, iron ore and scrap, by the abolition of the customs barriers and quantitative restrictions on the circulation of goods within the Community. On the other hand, the establishment of the Common Market for steel did not call for any fresh action in respect of transport rates. As a matter of fact, the most flagrant discriminations occasioned by the transport rates applying to steel had already been eliminated with the establishment of the Common Market for coal, in the manner set out in the General Report on the activities of the Community[9]. The need for further measures to be taken by the High Authority in the field of transport will not arise until much later. The present position does not yet enable us, at this stage, to give any details concerning the effect of the measures taken in respect of the transport of iron and steel products.

Abolition of customs barriers and quantitative restrictions

12. Under the terms of the Treaty, the establishment of the Common Market for steel required the abolition and prohibition, within the Community, of import and export duties, or charges of equivalent effect, as well as of quantitative restrictions applied to the trade in these products within the Community. The practical solutions which had been worked out by agreement between the High Authority and the Governments for the purpose of enabling the latter to take the necessary measures in good time, had been adapted in their entirety by the time the Common Market for steel was set up. A Committee of experts was, nevertheless, convened to make sure that no detail had been overlooked. It was found that the regulations which had already been laid down for the automatic allocation of licences and currency to buyers of Community countries importing from another Community country, did not require to be modified in any way. On the other hand, although all the member countries had accepted the principle, and the wording, of the "free entry certificate" ("certificat de libre pratique") – a document which accompanies the goods on their passage across the frontier, and certifies that these goods are not liable to duty – none of the countries had as yet made use of it, as its form had not yet

8. See General Report of April, 1953, Doc. 121, Chapter III.
9. See General Report of April, 1953, Doc. 121, Chapter IV, §§ 54 to 58.

been finalized. It was unanimously decided that a strictly uniform document was to be drawn up in the four official languages of the Community and, moreover, that its use was to be restricted to those products which are liable to duty in transactions with third countries.

13. Some peculiarities of the Common Market for steel called, however, for special customs measures, such as agreement on a detailed list of the products entering the Common Market, which is a prerequisite for the application of another measure provided for in Section 15 of the Convention, namely the institution of tariff quotas for the Benelux countries.

a. As regards this common list, a group of tariff experts of the member countries, who had held several meetings, had worked out a uniform nomenclature which the governments had agreed to adopt, with the exception of a very small number of tariff headings. As for these exceptions, the High Authority requested the governments which had sought its opinion, to follow provisionally the advice it had given. The governments accepted this proposal.

b. The experts on customs matters and commercial policy also met for the purpose of clarifying in agreement with the High Authority, the question concerning the tariff quotas of the Benelux countries and examining which would be the best solution to adopt in regard to the "suspended duties".

It must be pointed out that, according to Section 15 of the Convention, the Benelux countries will continue to enjoy, in respect of imports from third countries for their own market under their tariff quotas, the benefits of the duties which they applied before the Treaty came into force. They are, however, obliged to subject imports over and above these quotas, and which are assumed to be destined for trans-shipment to other countries of the Community, to duties equal to the lowest rates applied in the other member countries in transactions with third countries. In view of the fact that the Benelux countries have, for all steel products, lower duties than the other member countries of the Community (duties which will remain in force in transactions with countries outside the Community after the establishment of the Common Market), it is the purpose of this provision to obviate the diversion of trade across the territory of the Benelux countries to the territory of the other member countries. However, one difficulty arose from the fact that at the time the Treaty was signed, certain countries of the Community suspended their duties while at the same time keeping in force the quantitative restrictions. If the suspension of duties were maintained within the Common Market, there would be a danger of the diversion of trade, which Section 15 of the Convention aims to eliminate, taking place across those countries whose duties remained in suspension. It was, therefore, found to be advisable that these suspended duties should be restored in all the countries of the Community at the highest level provided for in their respective tariffs. It was, however, decided that the countries concerned, with the exception of the Benelux countries, whose decidedly lower customs tariffs could not be applied by the other countries for the time being, should endeavour to bring their own rates of duty in line with the lowest rates applied in the countries of the Community. The Governments have agreed to these proposals the significance of which must be underlined : In doing so, the first step has been taken to harmonize the duties with the aim of lowering them; At the same time, the system of the quantitative restrictions was rendered less rigid in its application to third countries.Hitherto, some of the countries of the Community had applied quantitative restrictions to imports of steel products, while the Benelux countries had freed these products from restrictions within the framework of the liberalization of trade by the Organization for European Economic Co-operation (O.E.E.C). The disappearance of quantitative restrictions within the Community as from 1st May thus enables the Benelux countries to import products (at a duty outside their tariff quota) for re-export to other countries of the Community. The tariff quota system of these countries is thereby rendered completely ineffective. Under these circumstances, the restoration of the hitherto suspended duties constitutes merely the counterpart of the de facto removal of the quantitative restrictions in relations with third countries.

14. In accordance with Section 15 of the Convention containing the transitional provisions, the Governments of the Benelux countries submitted drafts of tariff quotas for approval by the High Authority. In a letter dated 29th April[10], the High Authority gave its approval to these proposals, while reserving the right to make certain modifications in respect of the volume of imports of a small number of products. In accordance with the provisions of the Convention, these quotas have, in principle, been fixed for one year; they are, however, to be reviewed within three months[11]To make sure that the products imported under the tariff quota

---

10. Official Gazette of the Community of 4th May, 1953.

11. Provision has been made for three exceptions to the general rule : in respect of two products (Vanadium and Titan crude iron and coils less than 1.50 m wide), the governments have decided to align their rate provisionally to the Benelux rate; for a third product (coils of 1.50 m width and wider) they have decided to keep duties in suspense. In respect of the first two products, the Benelux countries were thus exempt from introducing a tariff quota; in respect of the third product, it was decided to set no limit for the tariff quota in order to circumvent the difficulty of having to decide at what level the Benelux duty outside the tariff quota would have to be fixed.

are not reexported to other countries of the Community, the governments of the Benelux countries informed the High Authority that they would institute a dual control system : one at the time of importation, in the form of a definite undertaking not to re-export the products; the other at the time of exportation by demanding a certificate issued by the works, or production of the receipt showing that duty has been paid outside the tariff quota on importation of the products into the Benelux territory.

15. The Governments of the six member countries have made all the necessary arrangements to ensure that the measures adopted will be put into effect, in their entirety, on 1st May. The necessary decrees, orders or instructions were published as follows :

– in Germany, in the "Bundesgesetzblatt" of 24th April, 1953;

– in Belgium, in the "Moniteur Officiel" of 27th April, 1953;

– in France, in the " Journal Officiel de la République Française" of 27th April, 1953;

– in Italy, by administrative instructions ;

– in the Netherlands, in the "Nederlandse Staatscourant" of 28th and 29th April, 1953.

2. Decisions concerning the establishment of the common market for steel

16. By its letter dated 29th April[12], the High Authority officially notified the six governments that in accordance with the Convention and the decision taken by the Special Council of Ministers, the establishment of the Common Market would become effective on 1st May, 1953. From that date, the High Authority assumes in respect of steel the functions conferred upon it by the Treaty, and exercises the powers hitherto exercised by the national governments. It immediately issued its decisions concerning the publication of the price-lists and terms of sale, and those concerning the prohibition of discriminatory practices.

17. In all relevant fields, whether it concerns the system of prices, the publication of prices, methods of quoting, or regulations concerning non-discrimination, the High Authority proposes to follow the development of the Common Market very closely in conjunction with all parties concerned, and to take, as the occasion arises, such measures as experience may prove to be necessary.

System of prices

18. During the months preceding the establishment of the Common Market for steel, each of the six countries of the Community had its own special regulations concerning prices and the trade in iron and steel products. In Germany, producers and consumers had, in the summer of 1952, come to an agreement on prices under the supervision of the Government; in January, 1953, the prices were freed from government control. The free movement of steel was left completely unhampered both in respect of imports and exports. In Belgium, the price-level had been fixed, for the home-market, by agreement between the producers and the principal consumer ("Fabrimétal"), with government approval. In France, maximum prices were fixed by the government for all merchantable iron and steel products, while crude iron was subject to a system of a controlled price-freedom. Imports were prohibited, except for a few special products which are not manufactured in France in sufficient quantities. Exports were subject to a licensing system. In Italy, maximum prices had been fixed since the spring of 1951, but actual prices remained below these. Luxembourg applied the system adopted in Belgium. In the Netherlands, the iron and steel industry fixed its own prices. There were no quantitative restrictions on either imports or exports. Thus, with the exception of Germany and the Netherlands, the regulations in force before the establishment of the Common Market included, in the majority of the member countries, a more or less strict control of the price-level by the authorities. In respect of exports, dual pricing was practised, which at times revealed considerable discrepancies between the two prices. This system of dual pricing had to disappear throughout the Community on the establishment of the Common Market.

19. With regard to the new price-system to be set up for the Common Market, the High Authority, after consulting the Council of Ministers and the Consultative Committee and taking into account the present situation of the steel market, decided in favour of the freedom of prices and competition between the producers. Thus, on the opening of the Common Market, it fixed neither minimum nor maximum prices. It has, however, held formal consultations with the Council of Ministers and the Consultative Committee concerning the advisability of price-fixing measures and the level of prices so as to be able to intervene, should circumstances arise to call for such intervention. Henceforth, prices must find their own level in accordance

12. Official Gazette of the Community of 4th May, 1953.

with supply and demand. Should it be found that as a result of the establishment of the Common Market, prices which had hitherto been different were aligning themselves at a level which would mean an increase for many producers, the High Authority would have to review its position, and resort to various measures which are open to it under the Treaty. The High Authority appreciates only too well that for the past 15 years or more, steel prices have been government-controlled in all countries, and that enterprises as well as consumers must learn from the beginning how to make use of their newly-won freedom. The High Authority also knows that powerful involuntary reactions and old memories may cause quite a number of people to seek protection against the effects of free competition in more or less rigid price or market agreements. Such an agreement has been concluded between producers in respect of sales to export markets; the High Authority is at this moment examining the compatibility of this agreement with the Treaty. The High Authority, as guardian of the rules set up by the six countries which have signed and ratified the Treaty, cannot remain blind to the conclusion of agreements which run contrary to the provisions of the Treaty, nor can it remain inactive in the face of the repercussions of such agreements. The development of steel prices and trade following the establishment of the Common Market will be the High Authority's decisive criterion concerning any action it might have to take in order to ensure that the rules laid down by the Treaty are duly observed. To this end, the High Authority is convening, for the end of May, a large committee composed of consumers of steel in the Community, for the purpose of obtaining from them information on the initial effects of the existence of the Common Market for steel, how trade is developing, and how prices are reacting; it also wants to hear their comments on the difficulties which have arisen and the problems which remain to be solved.

20. The freedom and vitality of the enterprises, so essential to the development of the market and to economic progress, do not only affect the basic prices, but also the various "surcharges", which must be added to the basic prices according to the dimensions and qualities of the products. This is the problem of the "surcharges". Steel is produced in a great variety of shapes and forms and in a large number of different dimensions. According to the requirements of the consumers, it can be rolled with greater or smaller tolerances. The tonnage to be supplied of any one particular type is also taken into account. To all these various factors which make up the end-price must be added the specific qualities or features which the steel is to embody to the purpose for which it is to be used or according to the specifications or terms of delivery prescribed by the buyer. The producers found themselves compelled – each from his point of view – to compile a classification of the qualities and types of steel, and to set up a nomenclature, i. e. to establish a technical framework. In the course of years, the iron and steel producers in each of the six countries of the Community had arrived at a standardization of existing nomenclatures on a national basis thereby establishing a uniform technical framework. It thus follows that at the opening of the Common Market for steel, there existed five national classifications of products (Belgium and Luxembourg having the same classification), which revealed not only considerable deviations from each other in certain details but also differences in basic conceptions. The consumers, for their part, had also laid down definitions of quality which for similar or even identical uses presented differences in values and even in conception, not only as between one sector of application and another, but sometimes even between one user and another. This was particularly the case with public utility organizations, such as the railways, tramways, public works, etc. For many years, the interested parties had endeavoured to rationalize and harmonize the conceptions of the consumers regarding the quality of steel. The efforts made went further than that : standardization organizations took the welcome initiative of establishing standards which have been widely adopted during the past 30 years. However, many organizations – especially the public authorities and large consumers – have continued to adhere to their own specifications which suit their own particular needs. This situation provides an explanation for the peculiar structure of steel prices for each individual category of this product; the producers are fixing so-called basic prices which facilitate comparison on a competitive market and relate to the most current profiles and dimensions of normal production. To these basic prices they add so-called "extras" or "surcharges" for deviations from the standard product, and for the various types of additional work which the buyer may demand from the producer. In some cases, however, there are price reductions, especially in respect of quantities bought in excess of the minimum quantities laid down for each individual product; on the other hand, if this minimum quantity is not reached, extra charges may be added. Consequently, the final selling price of steel, based on the producer's point of dispatch, is calculated for each individual type of steel by taking the basic price and adding the various "surcharges" or deducting any allowances that may be due. According to the type or size of the orders, the "surcharges" may constitute a considerable proportion of the end-price, although, in the case of rolled steel products, they may amount to only 10 % on the average. At first, these "surcharges" were fixed by each individual producer in relation to his particular costs of production. Later, however, the various lists of "surcharges" in use in each of the six member countries of the Community were standardized on a national basis. Thus shortly before the establishment of the Common Market for steel, the producers appeared not only with five different technical classifications, but also with five more or less voluminous "surcharge" lists which deviated widely from one another in a number of points, especially as regards the choice of the basic product exclusive of "surcharge"

and the amount of the various "surcharges" to be added. Prior to May 1st, every consumer, within his own closed home-market, had to deal with only the one particular tariff in force in his country. On the establishment of the Common Market, however, he would have had to deal with five different price-lists which would have been different in both form and content, making a comparison most difficult in many cases. This aspect of the price problem on the Common Market has not escaped the attention of the High Authority upon which devolves the duty under the Convention (Section 2, para. 5) to examine, in consultation with the governments, the enterprises and their associations, the workers, consumers, and dealers, means and ways for making comparable the price-scales practised for different qualities of products based on the average price for such products, or for the successive stages of processing such products.

21. On this question of "surcharges" the High Authority has held extensive consultations which have resulted in the following conclusions : With the exception of certain reservations concerning methods of application, all the parties consulted agreed unanimously with the High Authority that it would be desirable, if not necessary, to adopt a standardized and readily comprehensible, nomenclature for all the six countries of the Community. Study groups set up by the members of the iron and steel industries of the six countries have started on the difficult task of bringing the frequently widely diverging conceptions into line. If on the conclusion of this work there should still be discrepancies as between individual countries or individual producers, these will be confined to special cases, such as products in rare demand, or products of a special type whose use is relatively restricted.

22. The question as to whether it would be advisable to establish standard rates of "surcharges" to apply throughout the Community, produced diverging opinions. The producers, dealers and certain consumers stressed the advantages of a standard "surcharge" list; others insisted on maintaining the principle of free competition to apply to the end-price and not only to the basic price. The High Authority was of the opinion that while a single nomenclature and common technical definitions would mean considerable progress and constitute one of the conditions for a free and enlightened choice on the part of the buyers from among the different quotations submitted to them, the application of a standard amount of "surcharges" by all the enterprises would remove a very essential element of competition. By deciding in favour of the principle of price freedom in competition, the High Authority has left it to the enterprises to fix their own " surcharges " in accordance with supply and demand. This solution enables the more modern and better equipped enterprises as well as those which specialize in certain types of products, to fix their "surcharges" on their most favourable production costs and thereby engage in a healthy competitive activity on the Common Market.

Publication of the prices

23. The freedom of competition on which the Common Market is based, in accordance with the Treaty, does not imply that the seller is at liberty to apply any price he likes in his dealings with any particular buyer. The fundamental rule of the Common Market is the rule of non-discrimination. Publication of the prices is to ensure that in all cases of comparable transactions the same terms are applied, both from the producer's and the consumer's point of view. One of the decisions which the High Authority has issued in connection with the establishment of the Common Market for steel aims at defining in what form and to what extent the price-lists of the steel industry are to be published. A similar decision had already been issued in respect of the coal-mining and iron-ore industries. In accordance with Article 60, para. 2 of the Treaty, the High Authority has laid down the methods and time-limits for the publication of the price-lists and terms of sale by the enterprises of the steel industry, as well as the minimum data to be embodied in these publications[13]This decision would have lost some of its effectiveness if it had not been applied at the same time to the intermediaries through whom the producers sell their products. This has been counteracted, in accordance with the Treaty, by laying down that the intermediaries – dealers, agents, sales organizations and commission agents – must either publish their own price-lists and selling terms in the same form as the enterprises, or if they apply the same conditions as the enterprises wholly or in part, make known which elements of these price-lists and selling terms apply to their own transactions. As it is left open to the enterprises to bring their quotations in line with the price-list of another enterprise, it is essential that these price-lists concern only those products which definitely form part of the range of production of the enterprises concerned. If this rule were not applied, fictitious price-lists set up by one enterprise would enable another enterprise, acting in agreement with the first, to carry out discriminatory practices with quotations based on a fictitous price-list. Finally, it follows from this decision that for all quotations calculated on the basis on his own free choice[14], every enterprise is under an obligation to adhere to its published price-list and selling terms for as long as these prices and selling terms remain in force. Should an enterprise, for reasons of its own – and provided that its decision conforms to the

13. Decision No. 31-53 of 2nd May 1953, Official Gazette of the Community of 4th May 1953.
14. See below, paragraph 26.

letter and spirit of the Treaty – decide to alter its prices and selling terms, such new prices and selling terms cannot be put into effect until after they have been published in the prescribed form and within the prescribed time limit.

Methods of quoting

24. Until the Common Market was established, the methods of quoting were different in every country of the Community :

– ex-works in Italy, the buyer bearing the actual transport charges from the works to the point of delivery;

– carriage paid to any point of delivery in Belgium and in Luxembourg, the average transport charges being included in the price which thus was the same for all buyers irrespective of their geographical location;

– on the basis chosen by the enterprises in the other countries of the Community the buyer ultimately bearing the transport charges from the selected point of dispatch to destination.

25. This system of specified points of dispatch was, however, subject to special conditions. In Germany, the transport charges invoiced to the buyer were limited to an account corresponding to the transport charges for a maximum distance of 220 km. Consequently, all consumers located at a distance of more than 220 km from the specified point of dispatch of the work were, without exception, charged the same price, e.g. the price ex Oberhausen plus transport charges for 220 km, irrespective of their particular geographical location. Since the last war, in Western Germany the processing industries located in districts far removed from the Ruhr, as for instance in Bavaria, Hanover and Schleswig- Holstein, had lost their natural markets in eastern Germany. They were thus compelled to make efforts to sell their products in Western Germany and found themselves at a disadvantage through the fact that their products had to bear the return freight. The limitation of transport charges to 220 km for steel destined for these distant districts was meant to make things easier for the processing industries in these districts. However, this measure had yet another purpose; some of these distant districts had become reception areas for refugees from the east and, therefore, found themselves in a more difficult economic position than the districts closer to the Ruhr. The limitation of the transport charges was, therefore, also looked upon as a measure of compensation for the additional burden which these distant districts have to bear in connection with these large numbers of refugees. In France, the system of specified points of dispatch was not applied rigidly, but coupled with flat rates of transport charges constituting a definite supplementary charge on the price ex Thionville and resulting in a system of " delivered " prices for each zone. The establishment of the common market places the enterprises from now on under an obligation to adjust their methods of quoting to the new conditions, in order to observe the fundamental rule of the Treaty — the rule of non-discrimination.

26. The Treaty provides the facility of applying the system of multiple specified points of dispatch under which every seller can apply the same " delivered " price as an enterprise which bases its quotation on another point of dispatch, provided that the adjustment is made with the aim of lowering the price. (Article 60, para. 2.b.) It is the object of this system to extend competition to the whole territory of the Common Market, each enterprise having the opportunity of selling in the zone of another enterprise by lowering its quotation through aligning it with another point of dispatch, so that no one enterprise will have a monopoly. Under the Treaty, however, the High Authority is empowered to intervene for the purpose of limiting the discount which an enterprise can allow in order to secure sales in the traditional selling zones of its competitors, or for the purpose of maintaining its business in the zones where its competitors might in the future operate with lower prices, by basing its prices on their particular points of dispatch. This limit on discounts would compel the enterprises either to abandon cert a in markets which are far removed from their own point of production or to gain access to these markets by lowering their list-prices. On the strength of an opinion given by the Consultative Committee, the High Authority took the view that it was no expedient, at this stage, to fix such a limit for discounts. Adopting the same attitude as it has done with regard to the fixing of prices, the High Authority will watch closely the development of the Common Market and will, in the light of experience, intervene as and where necessary.

Rules concerning, non-discrimination

27. According to Article 60, para, 1 of the Treaty, the High Authority after consulting the Consultative Committee and the Council of Ministers had to define the discriminatory practices which are prohibited on the Common Market. This was done in a decision which applies to coal and iron-ore as well as steel[15]The first

15. Decision No. 30-53 of 2nd May, 1953, Official Gazette of the Community of 4th May 1953.

rule prescribes the uniform application of the selling terms laid down in the price-list, without it being possible to circumvent this rule by granting abnormal terms of payment without extra charge. This second rule prohibits any differentiation in the selling terms according to the nationality of the buyer domiciled in the Community or according to the locality in which he is established within the Community. It was not for the High Authority to give preference to, and prescribe, any particular form of selling organization. On the contrary, it took the view that each type of selling organization would benefit from its contact with another. Nor did it feel justified to prevent the enterprises from granting special terms to buyers who place an order, or a series of orders, for large quantities. However, it had to make sure that discriminations arising from systems which had hitherto been operating on a national basis would be eliminated. The High Authority has made sure of this, in particular by deciding that the quantities or values which are taken into consideration as a basis for granting a discount, must no longer be the quantities and values which the buyer domiciled within the Community has agreed with the enterprises of a particular country; they must be the quantities and values agreed with all the enterprises supplying the product or class of products involved, within the Common Market, irrespective of the market on which the buyer has re-sold these products. As regards the financial measures which, in Germany, permit the reduction of freight charges for consumers in certain districts, the High Authority has also made it known that, from social considerations, it raises no objection to the retention of the system even if the necessary compensation funds are derived from a levy on the total consumption, provided that the manner in which refunds are made does not distort the competitive situation between the enterprises of the Common Market. As regards the taxes which the seller may include in the price quoted to the buyer, the rule laid down by the High Authority prescribes that the amount equivalent to these taxes should not be demanded from the buyer if the seller is entitled to exemption or refund[16].

28. Further discriminations may be revealed in practice or may, on the other hand, disappear under the influence of competition. The High Authority will, if necessary, intervene by successive stages.

Special provisions for Italy

29. Under Section 30 of the Convention containing the Transitional provisions, the High Authority is empowered, in consideration of the particular situation of the Italian iron and steel industry, to authorize the Italian government to maintain, during the transition period, customs duties on iron and steel products imported from other member countries to the extent it may deem necessary. However, during the first year of this five-year period these customs duties must not be higher than those laid down in the Annecy Convention of 10th October, 1949. This ceiling will be reduced by 10 per cent, in the second year, 25 per cent, in the third, 45 per cent, in the fourth and by 70 per cent, in the fifth year, so that at the end of the transition period the duties will have been completely abolished. On 1st April, 1953, the Italian government applied to the High Authority for authorization to put into effect, as from 1st May, 1953, the duties laid down in the Annecy Convention. In support of this application, the Italian government put forward that in view of the demographic situation of the country, it was necessary for Italy to continue with her industrialization programme and the modernization of existing plant; it stressed the disadvantages regarding the supply facilities of the Italian iron and steel industry which arise from the geographical position of its works within the Common Market. An examination of all these submissions revealed, that these contentions are justified. It is true that the production costs of the Italian iron and steel industry have been reduced as a result of the recent decisions of the High Authority in respect of scrap, but the elimination of double prices hitherto applied to exports by the other countries of the Community and the lowering of prices on the national markets are creating conditions which the Italian iron and steel industry, in its present stage of modernization, is unable to meet without some measure of protection. The High Authority arrived at the conclusion that no definite decision could be taken until a new price equilibrium had been established which would make it possible to assess the degree of tariff protection which the Italian iron and steel industry could claim for itself. It authorized the Italian Government, provisionally for the period from 1st May to 1st August, 1953, to apply the customs duties laid down in the Annecy Convention of 10th October, 1949[17], to the iron and steel products imported from other countries of the Community. The High Authority took the view that this measure of protection corresponded to the difference between the prices of the products of the Italian iron and steel industry and those of the other countries of the Community at the time of the establishment of the Common Market. However, the High Authority did not want to be content with a purely temporary solution which would leave the Italian iron and steel industry and its customers in suspense. It has already announced the principles on which it proposes to open discussions with the Italian government for the purpose of finding a permanent solution. When the situation is in due course reviewed, and in the decision which it will be called upon to take, the High Authority will endeavour to give the Italian iron and steel industry, in conformity with Section 30 of the Convention, the

16. See below, § 3 of this Chapter.
17. Letter to the Italian Government, dated 29th April, 1953. Official Gazette of the Community of 4th May 1953.

security which is indispensable for the development of its investments, while at the same time fixing, to the extent t ha t may be necessary, the rates of the customs duties which are contrary to the provisions of the Treaty. The application of maximum rates of duty would, in fact, no longer be of any interest to the Italian iron and steel industry and would be detrimental to the interest of the Italian consumers if the prices against which the Italian iron and steel industry seeks protection, were to be increased. Moreover, the application of maximum rates of duty would also be detrimental to other industries of the Community, if these were compelled to reduce their prices in order to bring them into line with quotations of enterprises in third countries which they would be authorized to do in accordance with the last paragraph of Section 30 of the Convention.

3. General problems concerning the operation of the Common Market

30. Independently of the special measures which had to be taken in connection with the establishment of the Common Market, there has arisen – as already pointed out in the General Report on the activities of the Community – a number of problems connected with the operation of the Common Market. The problems outlined below concern partly the steel market (precautionary measures in accordance with Section 29 of the Convention, concerning special steel) and partly all the products of the Common Market (turnover taxes, cartels and combines, technical research and workers' safety).

Precautionary measures

31. In Section 29 of the Convention, it is recognized that special precautionary measures may be necessary for the steel industry to prevent the diversion of production which may result from the establishment of the Common Market. This Section empowers the High Authority to resort to special measures to the extent that it deems that the provisions of the Treaty cannot be applied. According to para. 2 of this Section it was incumbent upon the High Authority to fix, during the preparatory period, the technical criteria for the application of these precautionary measures. In other words, the High Authority had to determine, in consultation with the producers' associations, the Consultative Committee and the Council of Ministers, what are the technical criteria that would make it possible to judge whether these precautionary measures had become necessary. In denning these technical criteria, it was necessary to preserve an adequate degree of flexibility, so as to be able to adapt oneself to all possible situations and avoid a too rigid strict procedure. Moreover, Section 29 of the Convention lays down limits and conditions for the application of the precautionary measures.

32. In consideration of these circumstances, the High Authority has adopted the following definition of the technical criteria which will make it possible to judge when the application of the precautionary measures becomes necessary[18]

32.1. In regard to diversions of production :

a. a perceptible falling off, due to the establishment of the common market, in the production of a country, a district, a group of enterprises, a single enterprise, or an important section of an enterprise, whose slackening or stoppage may upset the equilibrium of the territory or organization concerned;

b. this decline in production must relate to a normal production, taking into account the development of the overall production situation in the Community;

32.2. in regard to the difficulties of enterprises which, following the adaptation provided for in Section 1 of the Convention, would be in a position to stand up to the competition : difficulties which are likely to jeopardize the continuance of the activity of these enterprises. It is necessary to take into account not only the technical, economic and financial considerations, but also the social aspects, and particularly the direct repercussions on the workers.

32.3. In regard to the displacement of workers caused by the diversion of production : displacement of workers in larger numbers than those Avho would be able to benefit from the provisions of Section 23 of the Convention. Furthermore, the High Authority has adopted the view expressed by the Consultative Committee and the Council of Ministers, that it is difficult to apply the same criteria indiscriminately to all

18. Notice published in the Official Gazette of the Community of 4th May 1953.

enterprises, on account of the unequal susceptibility of the enterprises to changes, the different technical structure of plant, as well as for other, more general, reasons, and that each individual case would have to be reviewed separately.

Special steels

33. The measures adopted in connection with the establishment of the Common Market for steel apply to all the categories of products made of ordinary steel, which are listed in Annex I of the Treaty. As regards the same products supplied in special steels, Annex III of the Treaty subdivides these into three groups. The first two of these come within the jurisdiction of the High Authority, but as the results of an inquiry into the methods of applying the Treaty are not yet known, and in consideration of the special conditions involved in the production of steel and the steel trade, the customs duties and the quantitative restrictions to which they are at present liable, will not be abolished until 1st May 1954. The High Authority will, therefore, have to proceed with this inquiry. As regards the third group of special steels, the inquiries conducted by the High Authority will also have to determine the methods of applying the provisions of the Treaty to these steels. As and when these inquiries are completed, but not later than 1st May, 1956, the High Authority will submit relevant proposals to the Council of Ministers who will have to pass a unanimous decision.

Turnover taxes

34. This problem is dealt with in the General Report of April, 1953[19] : it concerns the selling terms, on the Common Market, of the producers of the various countries in which different systems of taxation are in force. In spite of the removal of the customs barriers, the products of the Common Market continue to pass from one taxation system to another as they circulate from one country of the Community to another. It was, therefore, necessary to find a solution which will obviate the superposing of taxes of the same kind and permit unhampered circulation of the products throughout the Community. With the object of finding this solution in conformity with the provisions of the Treaty, the High Authority set up a committee of independent experts under the chairmanship of Prof. Tinbergen. This committee has submitted its report to the High Authority which has published it.

35. Since then, the High Authority has issued a decision which defines discriminatory practices. In this decision – and in view of the taxation systems at present existing in the different member countries – the High Authority considers it incompatible with the application of the Treaty that taxes or dues for which the seller is entitled to exemption or refund are included in the price quoted to the buyer[20]. In taking this decision, the High Authority issued at the same time a declaration to the effect that it had decided to examine forthwith, in conjunction with the governments concerned, and in accordance with the procedure laid down in Section 2, para. 4 of the Convention containing the Transitional Provisions, the effect on the coal and steel industries of the provisions concerning turnover taxes with a view to improving on the system of exemptions and compensation payments in force at present. In a letter which the High Authority addressed to the governments on this subject on 1st May, 1953, it requested the governments to carry out this examination within as short a period as possible, and to complete it not later than 31st December, 1953. Should the conclusions of this examination cause the High Authority to adopt the view that the present system must be improved upon, i t will submit the necessary proposal to the governments which have retained jurisdiction in matters of taxation.

Cartels and combines

36. The problem of cartels and combines is one of the most important among the problems with which the High Authority has to deal. The establishment of the Common Market bursts open the national framework within which cartels have been existing. Moreover, the relevant provisions of the Treaty do not enter into force until the Common Market has been established. During the coming months, the High Authority will give its special attention to this problem because of its fundamental importance to the operation of the Common Market. Later on, the High Authority will submit a special report on the development of this question, dealing particularly with the measures taken, in accordance with the Treaty, for the elimination of agreements and practices which are likely to hamper, restrict or distort normal competition.

Technical research and workers' safety

19. Doc. 121, §§ 88 to 90.
20. See above, § 2 of this Chapter.

37. It is incumbent upon the High Authority to promote technical and economic research in respect of the production and the development of the consumption of coal and steel, as well as in respect of the safety of the workers in these industries. In accordance with the provisions of Article 55 of the Treaty, the High Authority convened meetings of special committees in Luxembourg on 29th and 30th April, for the purpose of establishing the appropriate contacts between the existing research organizations. The research organizations of the coal-mining industry, the iron-ore industry and the iron and steel industry of the countries of the Community were represented at these meetings. The High Authority also invited members of the British industrial research organizations and a member of the United Kingdom Delegation in Luxembourg to take part in its work. Three sub-committees were set up to deal with the technical side of production :

– one for mining technique (cutting, loading, transport from the coal-face, and gobbing) ;

– the second for coking ;

– the third for technical research in the iron and steel industry.

As the problems dealt with in research in the field of workers' safety concern only the coal and iron-ore mines, no special sub-committee was appointed. In these various fields as well as that of workers' safety and hygiene, a working programme has been set up covering, inter alia, the collection of publications, research reports and information on practical applications of research findings. As soon as the work of these committees has reached an advanced stage, the High Authority, in accordance with the provisions of the Treaty, will be able to consider the continuance and encouragement of this research work, in particular by providing financial assistance. In conformity with the provisions of the Treaty, the results of research financed by the High Authority will be made available to all parties concerned in the Community.