

The ECSC in difficulties

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The ECSC in difficulties

The European Coal and Steel Community (ECSC), the motor of European unification at the beginning of the 1950s, experienced serious difficulties towards the end of the decade.

Primarily because of the change in France's political environment from 1958 onwards, the supranational power of the ECSC, as embodied by the High Authority, was no longer accepted. Furthermore, the effects of the cyclical and structural crises in the coal sector greatly increased the difficulties faced by the ECSC. To these were to be added difficulties on the steel market. In an unfavourable political and economic climate, the High Authority sought to assert itself against the new European Communities (EEC and Euratom) which threatened to compete with it. However, at the same time, the lack of cohesion between the members of the ECSC Commission and the internal administrative reorganisation which followed the departure of several senior officials for the EEC and Euratom Commissions in Brussels, weakened the powers of the High Authority. The coal crisis that affected the Europe of the Six forced the High Authority to take precautionary measures, which affected its relations with certain third countries, particularly the United States.

The crisis of the European coal market

The idea of a common policy in the coal sector had emerged in the 1940s. However, at the end of the 1950s, i.e. at the end of the ECSC's ten-year transitional period, the economic environment had changed considerably: the shortage of coal that Europe had experienced after the war was replaced by an overproduction of coal. Coal stocks increased mainly because of stiff competition from American coal and from oil and gas on the international energy market.

Therefore, between 1950 and 1970, both domestic and industrial coal consumption continued to decrease, to be replaced by hydrocarbons which were much easier to use. The overabundance of oil and mass imports – because of a reduction in transatlantic freight costs – of low-cost American coal led to a slump in sales of European coal. As a result, even the most competitive European coal, i.e. from the Ruhr, did not sell and remained in storage.

Coal markets were thrown into disarray: mine closures and redundancies were the most tragic consequences. Miners were either condemned to seek training for a different job or to unemployment.

The European Coal and Steel Community (ECSC) had to tackle this crisis, both structural and cyclical. The High Authority, faced by Member States which were increasingly resorting to national measures – in the tax, customs or trade fields – and rejecting what were held to be interventionist measures, endeavoured to use the means to act which it had at its disposal.

The manifest crisis

In order to tackle the coal crisis, the High Authority had to use the means provided for in the Treaty instituting the European Coal and Steel Community (ECSC).

Towards the end of the 1950s, the High Authority wanted to declare a state of 'manifest crisis' for coal which, under the Treaty, would allow it to set production quotas and introduce restrictions on third-country imports in order to stabilise prices. To achieve this aim, every undertaking would have to comply with a production ceiling. However, the High Authority needed the approval of the Special Council of Ministers before it could apply this kind of Community measure. What is more, it was clear that the Council of Ministers would refuse to give its assent. The High Authority therefore had to be content with drawing up a series of general recommendations to the Member States on production, terms of sale, consumption and coal imports.

The rejection of the High Authority

After long negotiations, the Special Council of Ministers of 14 May 1959 refused to allow the High

Authority to declare a state of manifest crisis because governments were in disagreement about how to resolve the coal crisis. The Six were against any form of direct intervention by the High Authority and rejected its anti-crisis plan.

- France did not want the measures taken to be the same for each Member State because of their different economic cycles;
- Germany feared a move towards a centrally controlled economy;
- the Benelux countries and Italy held different views on the quota system for Community production.

Accordingly, the High Authority was unable to impose one single common measure in response to the coal crisis and had to limit itself to case-by-case intervention. In particular, it regulated the Belgian market, heavily weakened because its mines in Wallonia were becoming outdated. The High Authority resorted to an adaptation fund to assist miners hit by unemployment, and it authorised the Belgian authorities to grant subsidies with a view to lowering prices. A stabilisation programme was to help the country close the least profitable pits and reduce output. It also gave individual grants to the Netherlands and France.

However, this restrictive and unpopular policy harmed the image and the influence of the High Authority. From then on, it no longer promoted production growth but encouraged its reduction instead. Now, it simply ensured that its initiatives complied with the Treaty. It was the only way of stabilising prices and avoiding social disaster. However, the persistent difficulties in Europe's coal sector prompted the High Authority to devise a Community energy policy. From 1960, it defined the harmonisation of the conditions for the production, import and marketing of the various sources of energy. It advocated, above all, the introduction of a common energy market designed to secure supplies at lower prices, but did not have the means to put this into effect.

The difficulties of the European steel market

During the 1950s, steel production and imports continued to increase, creating excess supply on the market of the Six. The market deteriorated, and selling prices continued to drop as a result of competition from low-cost imports from eastern countries. The European steel industry was actually placed at a disadvantage because its cost prices were higher than those of its competitors. The High Authority therefore proposed limiting steel imports from third countries and increasing customs tariffs by 14 %. This suggestion worried European governments and industry, who feared that their trading partners would take retaliatory measures. In the autumn of 1963, the High Authority, whose President was the Italian Dino Del Bo, proposed a common commercial policy. However, the governments disagreed where the level of protection afforded by a common external tariff was concerned.

The High Authority therefore used its powers to adopt two recommendations (obligatory where their aims were concerned, but optional regarding the means to achieve them) inviting the governments to establish peripheral protection at the minimum level of 9 % which was, at that time, demanded by Italy. The French Government deplored that recourse had been made to the supranational method. This was, however, the only resort available, given the disagreement among the governments. In the end, the role of the High Authority, already challenged by several governments, was called into question once again.