

'Steel splits Europe' from L'Express (10 October 1966)


Caption: On 10 October 1966, the French weekly magazine L'Express analyses the causes and the consequences of the crisis affecting the European coal market.

Source: L'Express. dir. de publ. Servan-Schreiber, Jean-Jacques ; Réd. Chef Ferniot, Jean. 10.10.1966, n° 799. Paris: L'Express. "L'acier casse l'Europe", auteur:Hartemann, Bernard , p. 62-64.

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Steel splits Europe

The European Coal and Steel Community (ECSC), which Robert Schuman wanted to be the foundation of the political organisation of Europe, is dying.

Three Members of the High Authority — in other words, of what could have been a European coal and steel government — have just completed a tour of the capitals in record time. They wanted to persuade the governments to face up to the crisis in the iron and steel industries and in the coal mines jointly rather than severally.

Ever since France and Italy refused to finance surpluses of German coking coal last July, as part of a European plan, each country has implemented national solutions. At the same time, the governments have condemned the High Authority's action, complaining that its solutions have always been short-sighted.

The High Authority has in fact stumbled from crisis to crisis since 1957. For the first time since the war, Europe had too much coal, four years later it had too much iron ore, and in 1962 it had too much steel. The great strongholds fell one after the other. It was common knowledge that Lorraine was rich in poor iron ore, and its limits were well known: one day, the borders would open up to the excellent Swedish or African ores, which would be the end of the mines in Lorraine. No one thought that the Ruhr would become a 'critical zone', however. Now the Rhine iron and steel industry and coal mines are no longer taking on labour, and unemployment began to appear early in the year. Thyssen (steel), the glamour share of the German stock exchanges, stands at a mere 120 marks, compared to 164 in January.

When coal came up against competition from oil, the experts very swiftly sounded its death knell, and 40 000 ECSC miners left their jobs between summer 1965 and summer 1966 with no hope of returning.

Sheet steel and concrete. The crisis in the iron and steel industry resulted primarily from worldwide overproduction. Japan, which produced 9.5 million tonnes of steel in 1955, produced 41 million tonnes in 1965, while Russian output doubled. Third World countries want steelworks, since, for them, iron and steel is a sign of power and liberation. On 15 April, the experts of the West African Iron and Steel Conference, meeting in Freetown, Sierra Leone, decided to build a steelworks in West Africa. And whom will they sell to, if not to the wealthy countries at knockdown prices?

Consumption did not follow suit. Car manufacturers use ever thinner sheet steel, and less and less iron is used in concrete. From 1960 to 1966, world steel production capacity increased by 150 million tonnes, while consumption rose by a mere 80 million.

During that time, Europe played the game of the Treaty of Paris establishing the ECSC. When Jean Monnet, first President of the High Authority, smiling and surrounded by photographers, released the first batch of European steel in May 1953, the Six were short of everything, particularly coal and steel. And, what is more, the Treaty of Paris 'organised the shortage'. Precious German coking coal and Lorraine iron ore were shared out as efficiently as possible. The Treaty was liberal, wanting all iron and steel industries and all coal mines to be on an equal footing. Everyone was pleased that the former giants of the Ruhr that used to disrupt the market were being dismantled. Following the American example, the Treaty implemented an effective antitrust procedure.

The High Authority has supranational powers. Its nine Members, appointed for six years and independent of the States that nominated them, may speak to the coal and steel producers directly at any time, as it were over the heads of the governments. The Europe of the Six has decided to live on and prosper from the raw materials that its soil provides.

Now the basic situation has changed, but the Treaty has not. We must exist on foreign raw materials if we are to compete internationally. We must buy American coking coal, which is 10 francs cheaper per tonne than its German competitor on delivery in Essen, Germany. Iron ore must be bought from Mauritania or Sweden, where it is twice as rich as it is in France. The size of companies must also increase: the Japanese

claim that a plant producing less than five million tonnes per year is not an international player.

The ECSC tried timidly to cry wolf two or three times, but to no avail, as one simple example demonstrates: the High Authority sets Community production targets yet has no way of preventing competing investments. However, if each of the latter, seen in isolation, is good, together they result in overproduction.

The last optimist. Finally, the six governments, not wishing to adapt the Treaty to the new conditions, decided to reclaim their freedom. From now on, the future of coal and steel will be decided in Paris, Bonn, Brussels or Rome, rather than in Luxembourg. Since the beginning of the year, national plans have turned the market on its head.

On 27 July 1965, Michel Debré, Raymond Marcellin and Jacques Ferry, President of the *Chambre syndicale de la sidérurgie française* — French steel industry employers' federation — officially presented the French rescue plan. Michel Debré said that, if companies modernised, they would be lent 2 700 million francs over five years.

Germany decided to establish four selling agencies — the pre-war cartels — which will decide on the part each one will occupy in the market and which will exercise their own internal discipline. Out of principle, they submitted this plan to the High Authority, which may prohibit its application, in which case the selling agencies will go underground again.

Such secrecy is approved by all the producers in Europe who, like Ernesto Manuelli, President of the Italian steel giant *Finsider*, believe that the difficulties have arisen because of the unbridled and senseless system of competition instituted on the market. In his statement to our correspondent, however, Mr Manuelli added his voice to the chorus of protests from the Europeans, insisting that the ECSC still had a crucial role to play.

In Essen, he was not contradicted by Hans-Günther Sohl, Chairman of the German steel and metallurgy employers' federation — *August Thyssen-Hütte AG*. Jacques Ferry supported him, declaring that the ECSC had to be saved. Italy, however, buys coal from the United States and foreign iron ore, and Germany does its utmost to defend its national plan. In France, decisions are taken at the Treasury, the Ministry for Industry or the offices of the *Chambre syndicale de la sidérurgie* in rue de Madrid, where 200 officials with little concern for European ideology complete the revolution in the French iron and steel industry.

What is to become of the High Authority? A 72-page document, known among officials as the 'last will and testament of the ECSC', states that prospects for merging must not cause the responsible authorities of the Community to ease off or to adopt a wait-and-see attitude.

This is because there has been talk in Luxembourg over the last two years of the executive powers merging. This would mean bringing the three Common Market, ECSC and Euratom Commissions together in a single body. The merger, scheduled for 1 January 1966, has been delayed, but it will be discussed again by the Foreign Ministers of the Six before the end of the month.

Optimists can still be found, particularly the current President of the ECSC High Authority, Dino Del Bo, who believes that, once the merger has been carried out, it will be possible to discuss all the problems en bloc, which will therefore facilitate bargaining.

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(Survey in Bonn, Brussels, Luxembourg and Rome by correspondents of 'L'Express': Bernard Winter, Edouard de Blaye, Walter Parisel, Viviane Dutaut.)