‘Stumbling blocks in the Coal and Steel Community’ from Die Welt (1 May 1953)

Caption: On 1 May 1953, the day on which the common market for steel enters into force, the German daily newspaper Die Welt reviews the fiscal disparities existing between the Member States of the European Coal and Steel Community (ECSC).

Source: Die Welt. Unabhängige Tageszeitung. Hrsg. SCHULTE, Heinrich ; Herausgeber KOMMA, Albert. 01.05.1953, n° 101; 8. Jg. Hamburg: Die Welt. "Klippen der Montanunion", auteur:Helbig, Adolf , p. 2.

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Stumbling blocks in the Coal and Steel Community

Now a common market for steel as well — disputes on the tax question

By Adolf Helbig

Yesterday saw the opening of the common market for steel after the same market had already been created on 10 February for coal, ores and scrap metal. The practical application of the regulations to date, and the discussion sessions, have shown quite clearly that there are still a few obstacles to be overcome in the Coal and Steel Community. This is understandable, given the scale and difficulty of the task, which consists of merging the Western European coal and steel industries in order to create the necessary preconditions for increasing production, developing the means of production and raising the standard of living under equal conditions for all parties. This is intended to overcome the previous narrow national approach and to create a large-scale industry that would be united in its orientation and of benefit to all countries involved.

The common market for coal has been established relatively easily or, at least, without any great disruption. However, the problems with steel are far more difficult to deal with. The tax question, which triggered serious discussions between the parties involved during the last few weeks, may well now result in a crisis here, after the failure of a last-minute attempt to find a solution that would satisfy all parties involved.

The two different standpoints

What kind of differences exist between the parties? Under the Coal and Steel Treaty, all sellers should be provided with access to all buyers under the same conditions. The German side now calculates that the German steel price is subject to taxation amounting to 33 %, and the French steel price to taxation of about 23 %. Therefore, a shipment of steel from Germany to France would result in a total tax charge of around 56 %, with the German exporter being granted a tax rebate of 4 %. At the same time, France allows its exporters a rebate of 16 % for shipments to Germany. It is, therefore, quite obvious that German steel is no longer competitive in France.

For equal rights

It goes without saying that this kind of manipulation is in no way compatible with the concept of a common market. The German view is, quite rightly, that all buyers, whatever country of the Coal and Steel Community they come from, must, under the terms of the Coal and Steel Treaty, have the opportunity to purchase from the suppliers under the same conditions as every other buyer. In France, the opposite view prevails. This question has been the subject of votes in the High Authority in which the German representatives were outvoted.

At all events, the position is very confused at the moment and does not presage a good start for the common steel market. The Federal Parliament also discussed the problems of tax in the Coal and Steel Community at its session on Wednesday. It is possible that the Federal Government will secure authority to conclude fiscal agreements with the other parties to the Treaty, and this might then possibly bring about a compromise solution. If the High Authority continues, as before, to close its mind to the German proposals, it is quite probable that the result could even be an appeal by the Germans to the Court of Justice of the Coal and Steel Community. This could be necessary anyway, because all decisions of the High Authority have become binding in law after a period of four weeks if there is no challenge in the Court of Justice.

The High Authority itself has no right of direct intervention in the fiscal sovereignty of the Member States. However, in the case of steel, it is becoming apparent that the taxation system and the levels of tax in many cases are equivalent to subsidies, which have to be eliminated, in accordance with the Coal and Steel Treaty, since they distort the market. Nevertheless, the present situation must not be over-dramatised. It is possibly questionable whether there is any expectation at all that the French steel industry will or can flood the German market with its products.

The atmosphere that prevails at present among the groups within the Coal and Steel Community is regrettably very prejudicial for the further course of events, since further problems remain unsolved which could easily lead to serious disagreements. This applies first and foremost to the pricing problems and the question of investment. It has already been established that, taking into account the market situation, there is no intention to fix minimum and maximum prices for steel. A few more weeks will probably elapse before the play of free market forces in the steel industry will be achieved.

Another crunch question

The investment and funding programme of the Coal and Steel Community has already also led to lively exchanges. The Director of the German Loan Bank for Reconstruction, Mr Abs, is known to have levelled sharp criticism at the High Authority's loans policy and disputed its authority to contract loans. The German Vice-President, Franz Etzel, has responded to this by quoting chapter and verse from the Treaty to justify such authorisation. Far more serious is the danger of a supranational control authority for loan policies, that is, the danger of dirigisme, which the High Authority has, to date, been very careful to avoid, in spite of certain difficulties.

We shall now see whether, in the case of steel, the High Authority will manage without any form of dirigisme. The competition situation for steel is particularly complicated. Most steel works in Germany were totally destroyed in the war, and the remainder were largely obstructed in their efficiency by the dismantling process and demergers. On the other hand, the French iron and steel industry experienced a generous level of expansion, which is still in progress. As things stand, distribution of the investment funds to meet requirements while, at the same time, avoiding intervention smacking of dirigisme, will constitute an extremely difficult problem.