

Report by the German Federation of Iron and Steel Industries (Düsseldorf, 5 June 1950)

Caption: On 5 June 1950, the German Federation of Iron and Steel Industries drafts a detailed report on the economic consequences of the establishment of a European coal and steel pool and emphasises the revolutionary nature of the French proposal.

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Subject: Coal and steel union

Closer inspection of the Schuman Declaration on a coal and steel union leads us to conclude that the French plans are comprehensive and, in part, revolutionary.

The envisaged integration of the coal and steel industries of the countries participating in the proposed scheme provides for the establishment of certain objectives and the enactment of certain transitional measures. The following are among the ultimate intentions:

1. provision of the basic elements of industrial production on the same terms,
2. pooling of production,
3. supply of coal and steel on identical terms within the territory of the union,
4. development in common of exports to areas outside the union,
5. equalisation and improvement of the living conditions of workers in the iron and steel industries and, on the basis of the foregoing measures,
6. modernisation of production and improvement of product quality.

The following transitional measures are proposed:

- (a) drafting of a production plan,
- (b) application of an investment plan,
- (c) establishment of price equalisation mechanisms,
- (d) creation of an equalisation fund to facilitate the rationalisation of production,
- (e) abolition of customs duties on coal and steel in the member countries,
- (f) similar freight rates for imports and exports and abolition of differential rates, and
- (g) the most rational distribution of production at the highest level of productivity.

With a view to the attainment of these objectives and to the implementation of these measures, a treaty is to be signed by the governments of the participating countries. Once the treaty has entered into force, if no agreement can be reached on the details of its application, an arbitrator will take the final decisions. The attainment and implementation of the objectives and measures described above is a matter for a joint authority comprising an equal number of representatives of each government and headed by a chairman with decision-making powers. The authority's decisions are to be open to appeal, but the appeal procedures have not yet been set out in detail.

This authority must respect the powers of the International Ruhr Authority and the obligations of all kinds imposed upon the territory of the Federal Republic of Germany.

With regard to point 1: Provision of the basic elements of industrial production on the same terms is a complex problem in several respects. From the precise wording used by Robert Schuman, namely

‘The setting-up of this powerful productive unit, open to all countries willing to take part and bound ultimately to provide all the member countries with the basic elements of industrial production on the same terms, will lay a true foundation for their economic unification’,

it seems reasonable to assume that the French wish to supply the factories with the requisite raw materials from the resources that exist in the territory of the member countries themselves. As regards ore supplies, this would imply the need to increase our use of minette ore from Luxembourg. Depending on the quantities involved, this could result in a reversal of the development that began after the end of the First World War. The Treaty of Versailles cut a veritable swathe through the German iron and steel industry’s production and marketing potential. Of the coal, ore and iron stocks available to us in 1914, we lost:

18.9 % of our coal,
72.3 % of our iron ore (minette ore),
26.7 % of our pig iron,
4.5 % of our iron foundries,
30.2 % of our wrought steel factories,
19.3 % of our sheet-steel and cast-steel production, and
15.8 % of our rolled-steel production, excluding semi-finished products.

To these figures must be added the losses incurred through the loss of the Saarland, namely:

7.1 % of our coal,
8.2 % of our pig-iron production,
2.8 % of our iron foundries,
12.1 % of our production of mild and cast steel, and
11.6 % of our rolled-steel production, excluding semi-finished products.

The loss of the minette ores meant that our factories switched increasingly to Swedish ores, with their higher iron content, which provided manufacturers with increased revenue and made them more cost-effective. In particular, the fuel required to produce a tonne of basic Bessemer pig iron from Swedish ore, at 827 kg, was some 300 kg less than the volume used in the production of pig iron from minette ores (1 112 kg). The use of minette ores consequently declined to a minimal amount in the 1920s and 1930s. The annual average for the period from 1929 to 1938 was only 1.4 million tonnes. This trend continued, and we imported just 441 000 tonnes of Luxembourg minette ore in 1948 and 303 000 tonnes in 1949.

Another concern that must be highlighted with regard to the increased use of minette ore is that any increase in the use of calcareous minette ore would result in a corresponding reduction in purchases of lime. This would adversely affect German lime producers.

To what extent the increased use of minette ore would adversely affect the German ore mines or Swedish ores depends on the level that use of minette ores is supposed to reach and on the technical and cost considerations which would determine the composition of the charge in the new circumstances. At all events, however, we must reckon with falling sales figures for the German mines, with the corresponding impact on employment and production costs.

The fact that the Declaration refers to a compensatory fund as a means of facilitating the rationalisation of production is a clear indication that the closure of German mines might even come into consideration. An increase in imports of minette ore, on the other hand, would result in better use of return freight capacity, as more coal and coke would be carried in one direction and more minette ore in the other. This might reduce freight costs for both coke and coal and minette ore.

If, in addition, the provision of the basic elements really means that a carriage-paid price is to be applied

within the coal and steel union for minette ore, too, there must be a compensatory mechanism to harmonise transport costs, for which the French would essentially foot the bill, because they, with the advantageous location of their steel industry in terms of transport requirements, would have to share the higher cost of transporting ore to our factories.

Another of the French aims is, no doubt, to obtain German coal and coke at our domestic prices. At present, we pay DM 42 per tonne of coke, whereas the French have to pay DM 46. It costs a further DM 14 to transport each tonne by rail. On top of this, there is the cost of carriage within France, which is relatively expensive. Even the French iron and steel works located only 28 miles from the border have to pay the equivalent of DM 6 per tonne. This means that the price of coke itself is DM 4 higher in France and, on the basis of an average freight charge of DM 2 per tonne for our Rhine and Ruhr factories, the cost of transport is DM 18 higher in France.

If the French were to obtain German coke at the same basic price that is set for our factories, the result would be a price increase of some DM 0.90 for German manufacturers on the basis of the amounts purchased during the first quarter of 1950 (French factories 472 000 t, our factories 2 043 000 t).

It is a very moot point, however, whether the Schuman proposal is not, in fact, designed to go a great deal further than this. Purchase of raw materials, namely coal and coke, on the same terms for all iron and steel works in the member countries of the coal and steel union would inevitably mean that our factories would be faced with an increase in the price of coal and coke to the order of the additional freight costs of DM 18 per tonne currently borne by the French.

We should undoubtedly be the ones to bear the main brunt of price equalisation for the purchase and transport of coal and coke. To what extent the increase in two-way transport operations carrying minette ore in one direction and coal and coke in the other would ease the burden of compensatory freight surcharges for both sides is a question that cannot be answered until the volume of supplies in each direction and the extent of any reduction in freight charges have been ascertained.

Measures leading to increases in the prices of coal and coke would drive up prices for both coke-oven gas and coal gas by corresponding amounts, which would be a serious additional cost factor for our factories.

Measures designed to guarantee the provision of the basic elements of production on the same terms would also affect the price of electricity. The present level of prices in both countries must therefore be ascertained. The effects of equalisation measures on the current price situation can then be gauged. At this point, a distinction must be drawn between the present positions of the German coal and steel industries in relation to the Schuman Plan. As our comments will show, the German iron and steel industry would be confronted by a number of unfavourable conditions. Mining can face the foreseeable future with greater confidence, in that its long-term sales would be secured in a wider market. Whether it will succeed in improving its cost and price conditions in the area of the proposed union remains to be seen.

The use of scrap, if made available on the same terms, should be considered from two points of view: firstly, the long-term supply prospects in the territory of the union and, secondly, the price of procurement and transport.

France used to be an exporter of scrap. The 1947 Bidault Plan, under which a total of five million tonnes of German-produced scrap was to be transferred to France, provided for a ban on exports of scrap from France and its importation from Germany. I mention this because it cannot yet be taken as read that the principles underlying these transfer plans have been abandoned. On the contrary, the creation of an equalisation fund to facilitate the rationalisation of production and the reference to the need for the most rational distribution of production among the member countries seem to signal certain intentions.

If the export of scrap from Germany to France should indeed become necessary, this would raise serious concerns, quite apart from the fact that it would deprive us of a valuable raw material. One such concern is that French scrap prices are considerably lower than ours. The basic price for heavy steel scrap from the Rhenish-

Westphalian factories is DM 73 per tonne. In France, the free-on-rail price is equivalent to DM 52.50 per tonne. We might, therefore, be required not only to surrender irreplaceable assets at unacceptably low prices but, perhaps, also to take part in a compensatory scheme to equalise freight charges in order to create the same terms for the procurement of scrap.

The French can manufacture ferro-alloys far more cheaply, because their electricity prices are much lower than ours. There is a danger here that we might be faced with a request to close down our factories at some later date. This would make us even more dependent for the procurement of alloys than we have already become.

With regard to point 2: The call for the pooling of production surely means that we should no longer have any control over our own overall production levels or our individual factories. This is likely to entail sacrifices on our part, even if we did, in principle, start on the basis of equal terms. Notwithstanding the restrictions imposed on our factories in the aftermath of the Second World War, they have proved to be more dynamic than their French counterparts. Common production levels could shackle our productive potential and benefit the French. Moreover, besides the fact that the International Ruhr Authority and Allied Control Law No 24, along with the other restrictions on our discretionary powers, are to be retained for the time being, we should now be required to commit ourselves contractually to the provisions governing the proposed coal and steel union, most probably for a lengthy period. In this connection, the supranational powers of the proposed High Authority should also be borne in mind, along with the unusually extensive decision-making powers to be assigned to its chairman. The plans to establish a supranational authority may mean that individual areas of activity in particular industries within and outside the proposed union may be seriously handicapped in economic terms. The chairman of the High Authority is hardly likely to be a German.

The most important question in this connection is whether we shall be allowed to build a wide-strip rolling mill. The prospects of receiving such permission will be all the more remote if it is to be assumed that Belgium, Luxembourg and other countries participating in the union will build their own wide-strip rolling mills. Given the excess capacity that this will create, we are likely to come under heavy pressure to abandon our strip-rolling plans. There is a need to study in detail the inevitable impact on us.

With regard to point 3: The supply of steel on identical terms to the markets of member countries poses considerable problems. This cannot mean fixing only a uniform purchase price but also fixing a uniform carriage-paid price, and hence uniform transport costs, throughout the territory of the proposed union.

If we assume that this is the sense of the proposal, the following remarks should be made about pricing, setting aside the question of freight charges for the moment:

The French currently have different domestic and export prices for their iron and steel. As far as we are aware, a relatively high domestic price subsidises the export price. Each and every one of the basic domestic prices in France is considerably higher than its foreign equivalent. The following table shows the differentials between French and German prices:

In DM per tonne, including 13.5 % production tax

	<u>France</u>	<u>Germany</u>	<u>Price difference</u>
Billets and blooms	204.50	190.00	14.50
Rails	279.10	238.00	41.10
Sleepers	285.60	230.00	55.60
I-beams	253.70	221.00	32.70
Steel bars	282.40	225.00	57.40
H-pilings	308.00	268.00	40.00
Wire rods	286.60	229.00	57.60
Thick plate	342.20	234.00	108.20
Medium plate	361.60	265.00	96.60
Sheet bars	317.40	221.00	96.40
Thin plate	412.40	300.00	112.40

Steel bands 291.20 264.00 27.20

Even if the extra charges on both sides are taken into account, the differentials shown above remain undiminished. Only a few products in the form of I-beams, thick and thin plate and steel bands are cheaper in France than in Germany.

We are not unaware of the cost basis underlying domestic prices in France but would refer to the comments in the extract already forwarded to you from Mr Fontaine's book *L'industrie sidérurgique*, pp. 16–18, which portrays the erratic and by no means favourable trends in French iron and steel prices after the war. If the French have no scope to lower their prices, we are likely to be compelled to raise ours in order to establish equality. The lowering of costs from which French factories would benefit, as described above, through cheaper access to raw materials in a coal and steel union does not refute this argument, since, as we are compelled to assume, their costs would be cut at our expense. Our national economy would be affected by the payment of grants into funds designed to enable the French to procure raw materials on the same terms as ourselves and, hence, to lower their costs and, possibly, to cut their prices, just as it would be affected if we had to raise our prices to French levels.

In either case, it will scarcely be possible to avoid a deterioration in the terms of trade of German manufacturers of iron and steel products. The effects on exports of our finished products and the accompanying impact on our general economic situation are entirely unforeseeable at present.

Uniform pricing of special steel appears to be completely impossible for the time being.

If a uniform carriage-paid price is envisaged for the entire territory of the union, this would essentially mean that the French could gain access not only to the market in southern Germany but also to those in the Ruhr Valley, the Rhineland, northern Germany and Berlin. The creation of such a sales market would be a huge windfall for the French. The same opportunities would not be available to us, since the French manufacturing sector is considerably less significant than our own.

The sales constellation that would emerge in this way could only balance the market if we were able to supply a higher-quality product than the French at the same price. Whether this would be enough to give us a foothold in the French manufacturing sector remains questionable, not least for psychological reasons.

The need to create a compensatory fund for the establishment of equal terms with regard to prices and transport costs throughout the proposed union is a separate technical problem which will raise certain difficulties. Apart from the fact that the proposed union would undoubtedly be tantamount to a cartel, the setting of a carriage-paid price for iron and steel products, like the procurement of the basic elements of production on the same terms, which was discussed above, would surely be a travesty of the natural economic order. Experience certainly seems to show that nothing is impossible for the proponents of economic planning on both sides. Not until the negotiations on this new union are under way will it become clear whether there is really any sense in making such radical changes to the existing production, sales, pricing and freight conditions, as appears to be the intention, or whether it would be wiser to adhere to certain principles that have proved their worth in the past in the iron- and steel-producing countries. The International Steel Cartel, for example, reviewed all aspects of issues relating to the location of individual raw materials and production areas; taking account of most of the particular features of the economies and industries of its member countries, it harmonised its sales and pricing structures, particularly in external markets. Attempts to achieve coordination in other ways in the 1920s met with failure.

With regard to point 4: The development in common of exports to other countries by the members of the union does not appear to pose any problems, provided that we manage to secure the expansion of our direct exports of iron and steel in order to restore our balance of trade. The International Steel Cartel could actually offer a great deal of technical know-how from the past for this idea, provided that the Americans can be induced to set aside their reservations about the formation of cartels. At all events, they will have to set aside the strongest of reservations if the planned union is to come to fruition.

The agreement on markets and quotas and the setting of export prices is, naturally enough, at the heart of the deliberations on the organisation of a common exporting system.

We shall have to beware of any common exporting system that is too rigidly organised. The valuable fund of knowledge, experience and contacts amassed by our exporters will benefit the union in that foreign orders will increase its marketing potential.

In this connection, it might be useful to note that exports to the French possessions in Africa do not seem to offer a great deal of scope for growth. The following figures show the volume of exports to the territories under French rule:

French exports to Africa in tonnes

(French West Africa, Algeria, Morocco and Tunisia)

Year	Pig iron, incl. spiegeleisen	Ferro-alloys	Rolled products
1929	2 835	29	180 954
1936	1 631	29	142 646

With regard to point 5: The supply of the basic elements of industrial production and of iron and steel products automatically implies that wage levels in the national iron and steel industries must be harmonised. The Schuman proposal provides only for '*l'égalisation dans le progrès des conditions de vie*', which translates literally as 'equalisation of improvement in the living conditions' of workers in the iron and steel industries. This could be interpreted to mean that existing pay differentials are to be maintained between member countries and that harmonisation will apply only to future improvements in workers' pay and living conditions.

It remains to be seen what this passage is supposed to mean. If pay levels are actually meant to converge, both France and Germany will certainly be faced with the equally unpleasant tasks of imposing pay cuts or increasing company wage bills. Pay cuts generate political and social tension, while upward harmonisation raises production costs. If we assume equal terms with regard to carriage and prices, the latter case raises the question whether the overall price level would not rise too steeply at the expense of manufacturers of iron and steel products.

In addition, the establishment or preservation of similar, if not the same, pay levels and living standards is one of the most complex and difficult problems. Here, too, it is pertinent to ask whether it makes sense to try to eliminate the natural diversity of living conditions.

Another important question in this connection relates to the respective productivity records of French and German workers. It is a fact that the average German worker works longer hours than his French counterpart. The specific output per man/hour in each country still needs to be reviewed. If a difference emerges in this area, too, it would be more than misguided to sacrifice both the greater productivity and the higher output of the German worker.

The final question relating to this point concerns the union member countries' various other production factors. What is the position, for instance, as regards the general costs and depreciation rates in each country? How high are their tax rates, and what does it cost them to service their debts? What are the levels of administrative expenditure and the cost of maintaining industrial plant? Previous surveys have revealed extremely wide divergences in conditions and costs between factories in the same country. How much more difficult must it be then to achieve a certain degree of equality in the terms of production, sales and pricing for two or more countries!

With regard to point 6: It goes without saying that modernisation of production and improvement of product quality must feature among the aims of the proposed union. There is merely a need to check that the reference to this aim in the Schuman Declaration is not to be interpreted as subjecting any modernisation of production facilities and any improvement in products to authorisation by the High Authority. It is certainly not too far-

fetches to presume that this is the intention. If it is, an authority that does not safeguard our interests as we must expect it to do might have disastrous effects. This is another area where the problem arises of the wide-strip rolling mill.

With regard to measures (a) and (b): In this respect, the drafting by the High Authority of production and investment plans, which are regarded as transitional measures, may likewise constitute a restriction on our freedom of action in the long term. It is, therefore, extremely important that, when international agreements are negotiated, we secure terms that enable us to develop our iron and steel industry in an appropriate manner. If decisions of the High Authority regarding production and investment were to be imposed on us, either on the basis of the current provisions or with minor improvements, such an approach would be indefensible.

With regard to measure (c): The principle of establishing compensatory machinery in order to equalise prices has been discussed above. The extent of such a measure and the way that it is implemented will depend on comprehensive studies, which must be conducted objectively and with the utmost attention to detail. Particular care is required in this matter, even though the aim is to find only temporary solutions. The more gradually and systematically the planned union is able to develop, the more durable it will be.

With regard to measure (d): A restructuring fund to facilitate the rationalisation of production presupposes the intention to close down or reduce the size of unprofitable factories and to favour profitable factories where production is rationalised. This affects smelting works as well as blast furnaces, steel works and rolling mills. The only point to make here relates to the recent comments that, given the present level of processing technology, ores from the Salzgitter area could compete with minette ores; this example from one part of the whole production process gives an inkling of the problems and struggles that we shall have to face.

With regard to measure (e): The plan to abolish customs duties on coal and steel on the territory of the member countries would benefit the French more than us. There are no customs duties on imported coal and coke in France. The volume of our exports of iron and steel products to France has always been considerably lower than that of our imports from France, including the Saarland. In 1929, Germany imported 879 531 tonnes of pig iron, ferro-alloys, unmanufactured steel and rolled products from France and the Saarland. In 1936, the figure was 57 730 tonnes, and, in 1949, it amounted to some 160 000 tonnes. This compares with the following volume of German exports to France:

1929: 106.502 t
1936: 9.722 t
1949: 148 t

As the improvements in the marketing prospects for the French in the territory of the Union show, it is doubtful whether even the abolition of customs duties would have any net effect on our economy.

With regard to measure (f): The proposal for similar freight rates for imports and exports and the abolition of differential rates is also no more and no less than the forcible constriction of natural forces which generally ensure that freight costs are merely a reflection of various geographical and economic conditions. Some idea of what the French seek to achieve through the Schuman Plan is perhaps discernible from the representations made by France to the International Ruhr Authority to protest against certain charges levied by German Federal Railways for the carriage of coal and ore. These representations refer, for example, to the iron and steel works of the Ruhr Valley being charged far lower rates for the carriage of both minette ore and Swedish ores.

In the case of minette ore, the 7 G 1 special rate, chargeable from the Luxembourg border at Igel to Dortmund (285 km), comes to DM 6.60 per tonne, corresponding to DM 0.023 per t/km.

This special tariff may be compared with the AT 7 S 2 special rate for Swedish ores, which are carried from Bremen to Dortmund (224 km) at DM 2.89 per tonne, corresponding to DM 0.0129 per t/km. Only on the basis of the most cursory comparison, however, could the difference between these rates be regarded as

‘discrimination’ against minette ore. In the case of Swedish ores, carriage between the German port of landing and the recipient factories in the Ruhr Valley accounts for only a fraction of the total transport costs, the bulk of which are incurred on the sea leg from the Swedish port of shipment to the German port of landing; it costs somewhere between DM 8 and DM 10 per tonne, for example, to transport a cargo from Narvik to Bremen, excluding handling charges, etc.

In addition, the AT 7 S 2 rate for Swedish ores can be considerably undercut by iron and steel works situated on or near the Rhine, which can — and normally do — transport their ores via Rotterdam or Antwerp, using Rhine barges for the inland leg. It must also be borne in mind that the cheaper Dortmund-Ems Canal is also available, and, in this respect, it is fair to say that the AT 7 S 2 special rate is designed to enable German Federal Railways to compete with inland-waterway carriers. The ‘dry’ factories at the eastern end of the Ruhr Valley need this reduced freight rate if they are to compete with their Rhineland counterparts. Lastly, the AT 7 S 2 rate also serves to ensure that the German sea port of Bremen benefits from at least a minimal share of the ore traffic from Sweden to Germany.

The other French attacks on the special reduced rates for the carriage of ores to the Ruhr from Salzgitter and the dogger geological deposits in southern Germany overlook the fact that these rates are solely designed to enable the railways to compete with the inland waterways. In Germany, which possesses particularly good inland waterways, this competition is far keener than it is in France. Moreover, the ores involved are mostly acidic inland ores with a low iron content which cost far more to smelt than the average foreign ores.

Other French objections relate to the comparison between the cost of transporting fuel exports from the Ruhr Valley to France and other cheaper rates applied to the carriage of coal within Germany. The following table compares these freight charges with the rates applicable to fuel transport within France:

Freight charges in DM (FF 121 = DM 1)

Journey	Distance in km	rate	Freight charge (in DM/t)	Freight charge in (DM per t/km)	Comments
French scale of charges					
Douai-Hagondange	319	254	16.35	0.0512	Wagonloads; through trains.
" "	319	"	13.25	0.0412	Block trains
Ruhr Valley-Lorraine (a) Gelsenkirchen — French border	298	6 B 1	14.00	0.0470	All train types
(b) French border — central Lorraine	45	64	5.70	0.127	
Fuel from Ruhr Valley — medium distance	30	6 B 1	3.00	0.10	
Coal transport to S. German iron works	552	6 B 31	16.70	0.0302	Block trains
Gelsenkirchen – Emden	247	6 B 11	4.20	0.017	Export
Ruhr Valley – Beddingen	300	6 B 35	6.40	0.0213	Block trains

For the transport of coal from the Ruhr Valley to Lorraine, the German freight charge per tonne/kilometre is just less than one third of the French rate. If the general rate for coal transport in Germany — the AT 6 B 1 rate, which is charged in practice for the carriage of coal from the Ruhr Valley to the French border — were also to be applied to the short section of the journey in France, the current French freight charge for the 45-kilometre journey from the Franco-German border to central Lorraine would be reduced from DM 5.70 to DM 3.80 per tonne, lowering the rate per t/km from DM 0.127 to DM 0.084. Accordingly, it is fair to argue that a reduction in the French part of the freight charge is warranted, if only because such a reduction would make it easier for steel works in Lorraine to procure coal from the Ruhr coalfield. In addition, if we allow for the mileage difference, the German part of the freight charge lies well below the current French standard rate for domestic transport in block trains.

The freight charges for coal transport from the Ruhr Valley to Lorraine are not comparable with the charges

for carriage to central Germany or to the German sea ports, because the latter are expressly designed to enable the railways to compete with river and canal transport. A proper comparison would have to be based on the transport of coal to southern Germany. The smelting works in southern Germany are located beyond the range of waterway transport as far as ores are concerned; like the factories in Lorraine, they obtain their fuels by rail over long distances.

The locations of the factories in the Ruhr Valley and of those in Lorraine differ so widely in terms of the transport situation that reliable comparisons cannot easily be drawn. No detailed opinion can be given without specific information from the French side on the way in which the Schuman Plan would be implemented in practice.

As for the organisational requirements for the operation of the proposed coal and steel union, there are two main questions, which are interlinked:

(1) Is a union of the type discussed above conceivable without the creation of a large cartel-like organisation? The answer is a straight 'no'. Production, sales, prices and pay require regulation. At least the first three of these elements have always been the focus of cartel activity. It is pointless to beat about the bush, given these requirements.

(2) If the union can work only on the conditions outlined above, it will scarcely be able to regulate these matters, or matters relating to pay and living standards, without a considerable exercise of influence by the participating governments. It is also doubtful whether the principle of the inviolability of property can be upheld when the plans are implemented. The economic impact of the decisions that would have to be taken by the coal and steel union once it has been established is so profound that the member governments are likely to deem it well-nigh impossible to set aside their responsibility for all the fundamental matters to which the work of the union would relate.

This brings me to the unusually extensive decision-making powers of the High Authority and its chairman. The proposal is that there should be equal representation on the Authority. On what criterion is equality of representation to be based? This will depend on whether other countries besides France and Germany accede to the union. The chairman's decision-making powers appear to be extremely wide. At present, it seems unimaginable that such a body would be allowed to overrule the political and economic views of national governments. Details of the right of appeal still have to be laid down. The fact remains that a final decision on the admissible grounds for appeal is fraught with problems.

Similarly, the power of the arbitrator to resolve deadlocks over the application of the provisions governing the implementation of the treaty on the coal and steel union poses dangers which could have devastating effects on the economy of each participating country.

The above remarks are not in any way designed to undermine the plans for a coal and steel union; they are intended to ensure that we are clear from the outset about the economic conditions that need to be created. There can be no doubt that a union which imposes unreasonable conditions on the economies of participating countries is not a viable proposition. For the sake of a great political ideal, this union must be built up carefully, one step at a time; instead of perverting natural processes, we must seek simple forms of common economic activity. If the American cartel phobia could be overcome within a short time — and any American fears will inevitably prove unfounded at all events once the coal and steel union begins to function, regardless of the precise circumstances of its operation — it would certainly be easier to found the union and make it work if the starting conditions were favourable.

The post-war years have seen a host of the most absurd economic measures, motivated by political considerations. In the course of the world economic recovery, many circuitous routes have been taken, routes which often seem to defy all logic. All such ventures have foundered on the rocks of reality or have fallen victim to their own laws.

Against the background of such unpromising beginnings, the Schuman Plan does offer Europe an opportunity

to stop pursuing short-sighted policies and to restore mutual respect for the living conditions of the peoples of Europe. One purpose of the foregoing critical assessment of the Schuman Declaration is to make it clear that a coal and steel union cannot be exploited for the unilateral pursuit of unjustifiable interests. Jean Monnet's plans for the development of the French economy have undoubtedly reached a critical stage. It makes no sense to seek an increase in the productive capacity of the French iron and steel works to 15 million tonnes if there is no market for that volume of output. The French are always mindful of security. They did not reckon with the rapid resurgence of our steel production. A comparison of the capacities on both sides shows that we still have capacity in reserve and could increase our production, whereas France is probably working to capacity at present. In this situation, the French must decide whether to stop trying to increase the capacity of their production facilities or to seek an undertaking from us to limit our production — and such an undertaking can no longer be secured by political edict but must now be voluntary. On no account must our politicians overlook this implication of the Schuman Plan.

Besides, it is not only the scale and sales potential of the French iron and steel industry that are at stake here; the problem is further compounded by the fact that the cost situation seems unfavourable to the French industry in many respects. This evidently applies not only in relation to us but also in relation to the industry in Belgium, Luxembourg and Britain. To the extent that the Schuman Plan is an attempt to bring the more cost-effective and cheaper producer countries into line with the lower French standards, it can scarcely benefit Europe. For this reason, it will be necessary, in the course of the forthcoming talks, to negotiate conditions that guarantee that the European iron and steel industry moves forward and not backwards.