

Note from the Luxembourg Iron and Steel Industries Group (23 May 1950)

Caption: On 23 May 1950, the Groupement des industries sidérurgiques luxembourgeoises (GISL), an employers' organisation involving the three Luxembourg iron and steel companies, namely ARBED, the S.A. des Hauts-Fourneaux et Aciéries de Differdange-St.Ingbert-Rumelange and Minière et Métallurgique de Rodange, speculates on the conditions in which the French ideas should be implemented.

Source: Archives Nationales du Luxembourg, Luxembourg. Ministère des Affaires étrangères. Traités. Traités - Economiques et Financiers. Plan Schuman - Négociations - La déclaration Schuman du 9 mai 1950 et les premières réactions - 1950, AE 11346.

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http://www.cvce.eu/obj/note_from_the_luxembourg_iron_and_steel_industries_group_23_may_1950-en-0ecc3211-6617-45b5-b588-fbfb7fd25698.html



Last updated: 05/07/2016

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French proposals on placing the coal and steel industries under international control.

Under the terms of the recent French proposals, member countries' coal and steel production would be placed under the control of a common High Authority. Provision is made for means of appeal against the High Authority's decisions, although the appeal procedures remain to be determined.

One extremely important question that immediately arises concerns the composition of the Authority and its working procedures. We understand that it would be composed of persons who are independent of both the governments and the industries concerned. It would certainly not be easy to appoint persons offering all the requisite guarantees of competence, particularly in a country as small as ours.

Supposing the Schuman Plan was accepted, what would Luxembourg's position be within the Authority? Would it have the same status as France, Germany, Great Britain, Belgium and Holland? Or would Benelux form only a single group? The interests of the Benelux countries are not entirely parallel with regard to coal and steel.

To what extent would other countries that might join the Plan but are only secondary steel producers have the power to deliberate on issues relating to the production of the major iron- and steel-producing countries, which include Luxembourg?

Secondly, what rights would we have with regard to coal, where we are not producers but are major consumers?

Would the Authority take decisions by a majority of votes or would they require unanimity? Would the Chairman have special prerogatives? How long would his term of office be?

Aside from these points of principle and procedure, we would need to know whether and, if so, how the industries concerned could make their voices heard at international level in more than a merely consultative capacity. Would they be asked, where appropriate, to take part in advisory committees or international technical committees? Could they be responsible for laying down the implementing procedures for certain decisions?

According to the French declaration, the task of this common High Authority will be to secure in the shortest possible time:

- (1) the modernisation of production and the improvement of its quality,
- (2) the supply of coal and steel on identical terms to member countries' markets,
- (3) the development in common of exports to other countries,
- (4) the equalisation and improvement of the living conditions of workers in these industries.

According to the French note, that would mean the application of a production and investment plan, the establishment of compensating machinery for equating prices, the creation of a restructuring fund to facilitate the rationalisation of production, and the abolition of customs duties, differential tariffs and obstacles to free trade.

Before examining these various points, we believe it would be useful to draw attention to the working conditions specific to Luxembourg's iron and steel industry:

(a) as Mr Bech has already pointed out, Luxembourg has only one major industry, and it survives almost entirely on exports. The country's prosperity and continued full employment depend on the maintenance of

sufficient and profitable steel production.

(b) Furthermore, our workers have achieved a high standard of living and it would be hard to imagine it falling.

(c) We are short of raw materials, apart from a few ores. From this point of view we are dependent on Germany and France. We believe that an effective guarantee of free access to these raw materials, under the same conditions as our competitors, is an essential precondition for any participation in an international plan.

(d) The programmes to re-equip the steel industry in Luxembourg — which, unlike other countries, finances them entirely itself — were developed on extremely moderate bases, and care was taken to avoid any increase in the pig-iron and steel production potential. The same is true of Belgium, but not at all in the case of France, Great Britain, Italy, Austria, etc. As for Germany, it makes no secret of its demands. Our point of view with regard to those German demands is well known, and we had another opportunity to put it to the Luxembourg Government on 2 May 1950, in full agreement with the Belgian steel industry, which made a similar statement to its Government. As for the race to produce steel that we are seeing in Europe today, which the OEEC has been unable to prevent and the ECA has often encouraged, the Government knows our position too. Will the French Plan remedy this regrettable state of affairs? If it confined itself to confirming what is wrong, or if it made it worse, we might end up in an extremely critical situation.

Germany gave an enthusiastic welcome to the French proposals, obviously supporting them with an eye to rapidly obtaining a higher ceiling for its iron and steel production and freedom from the controls to which it is currently subject. What is the attitude of France and the other countries in this regard? For its part, the French Government wants to ensure that the iron and steel industry in the French Saar territories can achieve the ambitious objectives assigned to it under the Monnet Plan. While the Belgo-Luxembourg capacity to produce crude steel has remained the same as before the war, that of the French-Saar group will rise from the 12-million-tonne maximum it achieved before the war to nearly 15 million tonnes. The British capacity, which was 13 million tonnes before the war, is to be raised to 18 million tonnes. The Austrian and Italian iron and steel industries will be completely restructured and also expanded. We mention the Netherlands simply for the record.

We fear that without guarantees, these production goals will only be attainable, once we have lost our freedom, at the cost of our exports. The large countries must primarily seek to place their production on their domestic markets; the governments, by pursuing an appropriate general policy, can influence that consumption. The claim France has already made to the OEEC that its exports must follow the same curve as its production is unacceptable, given that we know that the export potential within and outside Europe is far from what it used to be, for all kinds of reasons, including the intervention of the American industry on markets to which it did not export before the war. That situation was highlighted very recently in a study compiled by the Steel Division of the Economic Commission for Europe in Geneva. This very objective report is not optimistic, and concludes that Europe has an excess production capacity of the order of 8 million tonnes of crude steel. The Luxembourg iron and steel industry is not responsible for that situation, which does not even take account of the extra production demanded by Germany. It is very doubtful whether this extra production can be absorbed by exploiting and developing African markets!

What kind of production plans will the High Authority that is to be created decide on? On what bases will they be drawn up? Will there be production quotas? Is it intending to take account of past figures, of the objectives announced at the OEEC, of current market rates, of political considerations, of the specific situation of each country? In this regard, given what we have just said, we feel most apprehensive. Moreover, are the authors of the Plan intending to make a distinction between tonnage that can be allocated to the domestic consumption of the participating countries, and export tonnage? What do the words ‘development in common of exports’ mean? Is the intention to allocate export quotas to each country? On the basis of what criteria? How are the trade agreements with third countries to be negotiated?

By what means are exports to be developed? Does the French Plan envisage joint investments and

collectively funded major works in the colonies? What particular major works does it envisage? And how will each member country's contributions and intervention share be determined? If each of us is to be able to supply on equal terms, we believe that the first step must be to establish convertibility of currencies.

The development of both domestic and export market outlets cannot mean the sale prices of all the countries falling to the level of the countries with the lowest production costs. For we must not forget that some of those production costs are abnormal:

(a) The conditions under which the various Western European iron and steel industries are currently operating differ totally among themselves. How is one to take account of those differences and what will be done to even them out? Is the aim here the price equalisation to which the French note refers?

(b) Price formation in general differs entirely from one country to another. In some countries, such as Germany, it is certainly artificial. The wages paid in the German iron and steel industry are no more than 50 % of what we pay, with lower social costs; wages in France are about 60 % of what we pay.

(c) Nor are the conditions under which the various countries conduct their foreign trade comparable today. The big countries and those with a weak currency enjoy export advantages.

Under those conditions, it seems to us that if the French ideas were put into practice, it would be necessary to precede this by overcoming those differences and removing all the artificial elements that currently govern price formation. That equalisation must come first. Similarly, another precondition for putting those ideas into practice is currency convertibility.

The French declaration also refers to a common investment policy and the creation of a rationalisation fund. What exactly does that mean? How is that fund to be financed? Will it be used to compensate undertakings that might be closed as a rationalisation measure, or to encourage the re-equipping and modernisation of other undertakings? The German iron and steel industry claims that it is disadvantaged because of its serious technical backwardness. If they listened to that, our countries might be induced to contribute to the costs of modernising it.

Are we to regard rationalisation measures as meaning that manufacturing programmes might be imposed on us, that our factories might be forced to shut down plants and would no longer be free to dispose of their steel as they wish?

We are not saying that there is no need for international cooperation with regard to steel. But we have the right to request that this cooperation should be on equal terms and should not disregard the legitimate interests of each of our societies. We are very much afraid that the French ideas would lead to a form of international cooperation that would in practice be to our detriment.

In short, we have reservations for the following reasons:

(a) firstly, the very wide disparity between working, production and standard of living conditions in the various countries concerned,

(b) the fear that Germany might manage to derive all too great an advantage,

(c) the fear that we might not receive adequate guarantees to compensate for our possible loss of freedom, given our special and difficult situation. Under these conditions, international interventionism might prove too risky.

This is not our final position. We still need far more background information. Under these conditions, it is understandable that we should still have reservations and even some mistrust.