

## Report on coal and steel production (22 September 1950)

**Caption:** On 22 September 1950, the heads of delegation of the countries participating in the negotiations on the Schuman Plan approve a report on the action and importance of the High Authority in the field of steel and coal production.

**Source:** Internationaal Instituut voor Sociale Geschiedenis, Amsterdam. Johannes Marten Den Uyl (1919-1987) 1927-1987. Directeur van de Wiardi Beckmann Stichting (1949-1962). Stukken betreffende het Plan-Schuman. 1950-1951, 1953-1956, 1960., 988.

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## Production report

(approved by the Heads of Delegation on 22 September 1950)

1. The importance of the role played by the High Authority in the field of production does not depend only on the fact that the coal and steel industries are the bases of the participating countries' economies. These two industries are extremely sensitive to the variations in economic circumstances, whose impact they generally feel before other industries; the steel industry in particular owes this sensitivity to the fact that its action is directly dependent upon changes in investment.

In addition to being sensitive to changing economic circumstances, the coal and steel industries are also very vulnerable due to their considerable fixed costs on the one hand and to their labour costs on the other. This lack of flexibility concerning production is particularly serious in the case of the coal industry.

Developments in the coal and steel market in recent decades demonstrate how important these considerations are. This market, characterised by alternating periods of depression and upturn, has never really known 'normal' circumstances, in the sense understood by the mandate given to the Committee of Experts.

Nor is it possible to foresee now if things will go the same way in the future, or what impact the creation of the single market for these industries will have. Whatever the scenario, the experts are unanimous in believing that the High Authority should constantly surround its activities with safeguards in order to weaken as far as possible the negative effects of the economic situation, and that it should be given the weapons to intervene each time that this objective or the vital interests of the Community are endangered.

2. The policy and action of the High Authority in the area of production should be determined by the following principles:

- (a) ensuring stable and regular supplies of coal and steel to the single market and external markets;
- (b) encouraging the steady progress of the coal and steel industries, assuring or maintaining their competitiveness, and enabling the consumers to benefit from the progress made, both in terms of price and quality;
- (c) securing the stable and regular supply of raw materials to these industries;
- (d) protecting the workforce in these industries from the effects of changes in economic circumstances;
- (e) contributing to attaining the more general aims of production, expansion and development of employment in the participating countries;
- (f) making sure that a rational policy of exploitation and conservation of the natural resources of the complex is pursued.

The High Authority will of course have to give greater or lesser weight to each of these principles depending on the circumstances. It will therefore need to act in close and constant collaboration with the governments, regional groupings and advisory committees.

3. The High Authority will have to carry out, or delegate, in cooperation with all the interested parties, a continuous study of the market and its trends, in order to be able to monitor developments in the economic situation closely. In this way it will be capable of modifying or shifting the emphasis of its policy and its action in time to weaken the effects of dramatic upsets in the economic circumstances on the production of coal and steel.

4. Quite apart from this continuous study of the market and its trends, periodically the High Authority will have to draw up general forecasts regarding consumption, production, imports and exports for the single market in order to provide guidance for its own action as well as that of the governments, groupings and

companies.

General forward programmes will result from the comparison of the information gathered from all the interested parties (regional groupings, consumers, government administrations, etc.) and discussed together. It would be useful to draw up general programmes on long-term trends, more detailed mid-term programmes (yearly, for example) and even short-term programmes.

5. These forward programmes, although they only act as guides, will enable companies and consumers to organise and direct their manufacturing programmes on much firmer foundations than those which are currently available to them. They will also enable them, by means of the exchanges of views that their creation will encourage, to arrive at a common standpoint regarding the changes that the High Authority will have to make to its general policy.

In drawing up these forward programmes, the starting point shall be the situation prevailing at the time of their creation, particularly regarding the external trade resulting from the trade policy of the six countries. The policy and action of the High Authority will be defined by comparison with the production possible within the single market, according to the principles outlined in paragraph 2, and following consultation with the governments and regional groupings.

6. For the above reasons, not only will the High Authority have to keep a close watch on the evolution of the economy and on implementation of the programmes, but it will also need to intervene swiftly to avoid the consequences, which are always harmful, of sudden changes in economic circumstances. It will therefore need to have at its permanent disposal the necessary means of intervention. First, however, following consultation with the governments, regional groupings and consumers, it ought to employ indirect means of intervention on coal and steel production as far as possible.

Among such indirect means to which it may need to have recourse, either in isolation or simultaneously, the experts have pointed out the following:

(a) cooperation with the governments in order to regulate or influence in the desired direction general consumption, and that of the public services in particular;

(b) changes in price limits;

(c) action on imports or exports through trade policy.

7. These indirect actions may not be enough to avoid either partial or general shortages or disorganised production or sales, which are incompatible with the pursuit of the aims already outlined. Organisation of production may therefore be necessary.

If companies come to an agreement on organising production or sales, they must inform the High Authority to this effect. The High Authority will be obliged to forbid the implementation of any agreements or to prescribe the modification of any clauses that go against the principles listed in paragraph 2, and:

— if they entail, in one form or another, territorial protection for the companies that are parties to these agreements; <sup>(1)</sup>

— if, without regard to the evolution of the situation and to the economic, commercial and financial value of the companies, they systematically perpetuate the status quo;

— if they restrict competitiveness between companies and encouragement towards progress;

— if they do not make the changes required as a result of developments in the market (for instance, artificial restrictions on production);

— in the event of incompatibility between the agreements arrived at by various groups of companies.

Any agreement that has not been brought to the attention of the High Authority shall be considered null and void.

The experts have been unanimous in agreeing that there exists no automatic criteria that can determine a priori at which point in the economic situation the High Authority should intervene directly. Their conclusion is that, according to how the economic climate develops, and following consultation with the governments, regional groupings and advisory committees, the High Authority should decide whether it is opportune to make a direct intervention that might involve the creation of compulsory production programmes affecting all or part of coal and steel production. In the same conditions, the High Authority may prescribe the suspension of agreements or of clauses within an agreement in force concerning the organisation of production or sales which are not compatible with the economic circumstances.

8. The above provisions are also applicable for the transitional period, having regard to the impact of the special measures provided for in this period.

(1) subject to the observations of the German delegation.