

# Minutes of the second meeting of the ECSC Special Council of Ministers (Luxembourg, 1 and 2 December 1952)


**Caption:** Minutes of the second meeting of the Special Council of Ministers of the European Coal and Steel Community (ECSC), held in Luxembourg on 1 and 2 December 1952, in the version submitted to the Council on 16 December. One of the items on the agenda was the question of future ECSC levies.

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## Minutes of the second meeting of the Special Council of Ministers of the European Coal and Steel Community, held in Luxembourg on 1 and 2 December 1952

### I. The Member States were represented on the Council as follows:

#### Germany:

Prof. Dr ERHARD, Federal Minister for Economic Affairs,

#### Belgium:

Mr MEURICE, Minister for Foreign Trade,

Mr DUVIEUSART, Minister for Economic Affairs, the Liberal Professions and the Self-Employed,

#### France:

Mr LOUVEL, Minister for Industry and Commerce,

#### Italy:

Mr P. E. TAVIANI, Deputy State Secretary at the Ministry for Foreign Affairs,

#### Luxembourg:

Mr J. BECH, Minister for Foreign Affairs,

Mr M. RASQUIN, Minister for Economic Affairs,

#### The Netherlands:

Prof. Dr ZIJLSTRA, Minister for Economic Affairs.

### II. Opening of the meeting.

The meeting opened at 10 a.m. on 1 December 1952 in the Reception Room of Luxembourg's Town Hall. In accordance with Article 27 of the Treaty, the Presidency was assumed by Mr ERHARD, Federal German Minister for Economic Affairs. The President welcomed the members of the various delegations and thanked the Luxembourg authorities for the assistance that they had given to the Council and, in particular, to the Secretariat. He also thanked the Mayor of Luxembourg, who had made the City's premises available to the Council, and hoped that the Council could always meet in this setting.

The Council's deliberations would be recorded. This was being done solely to meet the requirements of the Secretariat, so that the debates would remain confidential.

The President wished to take matters involving only the Council in the morning so that the afternoon would remain free for a joint meeting with the High Authority. The Council wished to work with the High Authority as closely as possible. Each institution had its own functions within the Community. The way in which they evolved and acted would therefore be decisive for other institutions that would be created during the process of European integration.

The Italian member had been unable to attend the morning session, which meant that any decisions would be held over to the afternoon session.

ad Item 1: Establishment of the agenda.

The Italian delegate said that, as the other governments had been informed, the Italian Government believed that Item<sup>o</sup>6 on the agenda was of a nature such that it should form the subject of detailed study and close consultation with those involved. The Italian Delegation had not had time to consider the issue, and it asked the Council to hold over consideration of this item to a later date.

The President said that the same objections should be raised by the German Delegation. He was, however, confident that the High Authority would be satisfied with an exchange of views, and he suggested that the High Authority be given the opportunity to express its views on the problem of levies.

The agenda was amended with the word 'consultation' being replaced by 'exchange of views'. However, the President drew the Council's attention to the need to address the problem of levies at an early date. The consultation should take place as soon as possible and, where possible, with questions being circulated among members. The urgent nature of the issue arose not so much from the need to cover the administrative expenditure of the Community institutions as from the obligation for the High Authority to establish a line of credit so that it could conduct whatever financial negotiations might be required.

These considerations having been voiced, the Council decided to adopt the agenda as follows:

#### I.

1. Establishment of the agenda.
2. Approval of the minutes of the first meeting of the Council, held from 8 to 10 September 1952.
3. Designation of the producers and workers of the organisations to which the seats on the Consultative Committee were to be allocated.
4. Appointment of Members of the Consultative Committee.
5. Determination of the allowances allocated to Members of the Consultative Committee.
6. Deliberations on levies (Articles 49 and 50 of the Treaty): exchange of views between the Council and the High Authority with a view to establishing the general decision laying down the terms and conditions for assessing and collecting levies.
7. Deliberations on the provisions relating to concentrations (Article 65 of the Treaty, Article 13 of the Convention):
  - (a) Exchange of views between the Council and the High Authority with a view to establishing the regulation defining what constitutes control of an undertaking (Article 66(1)),
  - (b) Exchange of views between the Council and the High Authority with a view to establishing the regulation defining the kind of transaction to be communicated to the latter (Article 66(4)).
8. Decision on the rules governing the Members of the High Authority.
9. Any other business.

#### II.

Appointment of Members of the Court and Advocates General.

#### III. Council deliberations.

Item 2: The minutes of the meeting of 8–10 September 1952 were unanimously approved.

Items 3 and 4: A Committee was established to study certain questions of principle set out in the introductory note drafted by the working party. Each delegation was asked to assign to this Committee a competent person who could give undertakings on the delegation's behalf. The Committee would meet immediately.

Item 5: In accordance with the proposal from the High Authority, the daily allowance granted to members of the Consultative Committee was set at 950 Belgian francs.

Item 8: The President asked Mr°DUVIEUSART to present the conclusions of the Subcommittee. The rapporteur commented on the various articles of the draft rules and ended by drawing attention to the fact that the Rules Governing Members of the High Authority were, by their very nature, completely different from staff regulations for officials of the various Community institutions, so that the rules governing Members of the High Authority would in no way influence the future staff regulations for Community officials.

The President said that the Subcommittee that had drawn up the Rules had been unanimous in its conclusions and that no objections had been raised in the Council. The decision had, however, been held over so that the observations of the High Authority might be heard.

Item 9:

(a) Matters relating to the Secretariat.

The President proposed that, in order to assist the Secretariat in its work, each member should designate a representative who would be at the disposal of the Secretary, so that he or she might participate in meetings convened in order to prepare the agenda for Council meetings. The President recalled the problems arising simply from the question of setting the date of the meeting. Moreover, there would be more than one occasion when the Council would be obliged to act rapidly, especially during the preparatory transitional period.

The Belgian delegate asked for a review of the arrangements for this procedure. The President noted the Belgian delegate's agreement of principle.

(b) Negotiations conducted with a view to securing the requisite derogations from the rules of the General Agreement on Tariffs and Trade (GATT).

The President asked Ambassador SUTENS to present his report. Mr SUTENS said that the requisite derogation had been secured on 10 November by a majority that greatly exceeded the majority required by GATT. Of the 34 members, 30 had voted in favour, one (Czechoslovakia) had voted against, and two had abstained for reasons of a general nature. Sweden, which had expressed reservations, withdrew them at the last minute. A certified copy of the Derogation Instrument had been delivered to the Secretariat of the Council of Ministers, and would be kept in the Council's Archives. The Committee on Commercial Policy Matters, which had met on 29 November, had submitted a number of proposals on which the Council would have to take a decision after hearing the representatives of the High Authority.

Consideration of all the commercial policy matters was then held over to the afternoon meeting.

ad Section II:

1. Following a presentation by the Secretary of the Council on the legal issues relating to the date of entry into force of appointments, the duration of the President's mandate and the practical recording of appointments, the representatives of the Member State governments took the following decisions:

(a) Appointments: The following were appointed as Judges: Mr DELVAUX, Mr HAMMES, Mr PILOTTI, Mr RIESE, Mr RUEFF, Mr SERRARENS, Mr VAN KLEFFENS.

Mr LAGRANGE was appointed Advocate-General.

It was noted that the appointment, currently outstanding, of one Advocate-General could be made through diplomatic channels and that Mr PILOTTI was appointed President of the Court for the first three-year term.

(b) Date of entry into force of appointments: Thursday 4 December 1952.

(c) Recording of appointments: The appointments were recorded in a note that would be lodged with the Court Registry.

2. The Italian delegation having asked the Council to consider the problem of financing of the *ad hoc* Assembly, the Council decided to recommend that each of its members should intercede with the government that it represented and invite it to act on the letter of 26 October 1952 from the President of the Common Assembly in an appropriate fashion.

Item 6: The afternoon meeting took place in the presence of the High Authority. The President of the Council gave the floor to the President of the High Authority for Item 6 on the agenda (levies). Mr MONNET noted that the Council did not wish to be formally consulted during this meeting. He was aware that the document drawn up by the High Authority had been late in reaching certain members. The High Authority understood that, under these conditions, the Council wished to limit itself to an exchange of views.

Mr Monnet said that the object of the levies was to enable all the Community institutions to cover their administrative expenditure. The levies would serve, above all, to establish the Retraining Fund and to provide a guarantee for any financing that the High Authority would have to undertake in order to activate the Community's investments. The amount of the levies would depend on the financing of those investments. The studies that had been carried out showed that the core industries would have to increase the output in order to meet rising demand. Investments needed to be made in these industries in order to reduce cost prices, to face up to competition and to improve the quality of life of the people concerned. With regard to coal, output needed to be increased so as to free Europe from the burden resulting from the current imports of American coal.

Investment and modernisation were at the heart of current economic life. Investment needed to begin straight away if the future was to be safeguarded. At present, such investment was not easy in the various countries that constituted the Community. In some cases, it was based on prices or on very expensive internal financing. The current rate of investment would put a strain on output for years to come and, consequently, on national output as a whole.

If the High Authority could help to finance this investment, it would be making a crucial contribution to the Community's progress. The financial powers conferred on the High Authority by the Treaty had been assigned to it precisely so that it could contribute to investment. The High Authority was not, and obviously would not be, in a position to resolve the problem of financing investment as a whole, but it would have to make a major contribution to this in ways to be determined. How was the High Authority to procure the necessary funds? The Treaty provided for it to do so by imposing levies and contracting loans, either by guaranteeing loans granted to undertakings or by contracting loans itself. To this end, the High Authority needed to build up its funds, an essential precondition for any borrowing capacity. Where would the High Authority borrow? In Europe? In other markets? It was difficult to answer this question. However, it was certain that potential lenders would trust it and loan applications be accepted only if it could be proved that all the provisions laid down in the Treaty for the procurement of financial resources had been implemented.

This meant that the system of levies needed to be implemented. That was why the High Authority would

shortly request consultation on the terms and conditions for assessing and collecting levies so as to enable it to adopt the appropriate regulation which would determine the amount of the levy to be imposed in 1953.

It was important for this decision to be taken in time for it to be recorded in the report that the High Authority would be submitting to the Assembly. According to the information in the High Authority's possession, the general expectation was that this report would cover fundamental economic issues.

Mr MONNET then suggested that an exchange of views be held on the assessment of and ways of collecting levies, the matters to which the forthcoming consultation would relate.

Mr ERHARD thanked Mr MONNET for his presentation and asked if he was correct in understanding that the High Authority did not wish to discuss the amount of the levy at this time.

Mr MONNET replied that the High Authority was responsible for setting the amount. The High Authority did not intend to keep this amount secret from the Council, but nor did it intend to consult the Council on this issue, which it might find embarrassing. Moreover, the Treaty set out precisely the issues on which the High Authority was obliged to consult the Council formally. Naturally, the High Authority intended to discuss this matter with the Council in the most open fashion. If this was a formal reply, it was because the High Authority was a new institution, and it was important for each of the institutions to retain its responsibilities in their official relationships. From this point of view, it was undeniable that the setting of the levy fell within the powers and responsibilities of the High Authority.

Mr ERHARD thought that the levy problem was not simply a technical issue and that it was almost impossible to separate consideration of the technical measures for collection and assessment from the issue of the amount of the levy.

The Belgian representative, Mr DUVIEUSART, said that he understood the urgent nature of the levy issue. The levy had to cover the administrative expenditure that arose, but, above all, it had to facilitate the implementation of an investment and retraining policy. It would be desirable for the High Authority to make this policy known. If Article 54 of the Treaty was taken into account, it was clear that it was necessary and helpful for the Council to have a general view on investment policy. Of course, it would be possible to intervene by way of subsidies or by reducing interest charges, but there was also another means, the one resulting from the prices that would be charged.

Depending on pricing policy, investment options would exist or disappear for certain undertakings.

Mr DUVIEUSART hoped that the dates laid down in the Treaty for the establishment of the common market would be respected. The true common market in coal was a fundamental precondition for the true common market in steel. If the true common market in coal was not established, supplies of steel to certain regions might well be made impossible by expectations raised at the expense of other regions.

The Belgian representative ended by asking the High Authority to announce its general investment plan as soon as possible, on the basis of its views on output and consumption and an assurance that the common market would be established by 10 February or 10 April 1953.

Mr ERHARD then gave the floor to Mr DAUM, Member of the High Authority, who said that the conditions for assessment and collection had been studied in detail by a committee of experts convened by the High Authority. No major fundamental objection had been raised to the basis for and the principle of the assessment of the levy. It had been generally acknowledged that the solutions recommended by the High Authority were simple and that the two fundamental principles set out in the Treaty had been respected, namely imposition according to average value and the rule of non-cumulation of taxation of single products at different stages of manufacture.

Mr URI pointed out that the Treaty imposed two essential obligations; the first was to divide the levies among the various products according to their average value. That naturally meant that the same amount per

tonne could be levied on products of differing values. It also meant, above all, that the levy must not be established according to the prices charged by each undertaking but according to the average value of the products, irrespective of the prices charged by the particular undertaking concerned, so that the levy did not itself have the effect of increasing price differences. The second rule imposed by the Treaty was to avoid, as far as possible, a cumulative effect with regard to taxes, i.e. to avoid, as far as possible, payment of a levy on a levy, by taxing each successive stage of manufacture of products, on their total value.

The main problem was to design a sufficiently simple system of non-cumulative levies while taking account of the rule of establishing a levy according to average value. A traditional method might have been envisaged, one consisting in imposing levies only on end products, i.e. those going to consumers outside the Community: exports, sales to processors or other consumers independent of the Community. However, it turned out that such a method would have necessitated a breakdown between destinations for each product, and that would have involved checks disproportionate to the amount of the sums at stake. So it was for this reason of convenience and simplicity that we turned to the method that consists, in principle, in imposing a levy on the product at each stage of manufacture, excluding products already taxed at the start of manufacture. It is a kind of very simplified taxation of the value added by each stage of manufacture. The method is simplified because a calculation of added value could have been introduced (let's say to clarify the ideas of the difference between the price of steel and the price of coal that has already been used in its production), by means of a rigorous accounting method that would have consisted in adding to the undertaking's accounts a column in which sales and purchases other than the price effectively paid or received by the undertaking would have been subjected to the average value of the products bought or sold. In this way, an added value would have been obtained that was recalculated on the basis of the average values on entry and exit in accordance with the Community's basis for average prices. The method was theoretically correct, but it would have involved considerable accounting work for undertakings that was not particularly relevant, since the only information that would have been derived from it would have been another way of expressing the production tonnages that were, moreover, already known. It was when considering the reduced rate of the levy that it seemed possible to establish much more inclusive rules. It was when reasoning on the basis of the maximum rate provided for in the Treaty under normal levy conditions that we had always calculated the differences in effect that might ensue from adoption of one method or another for a particular point. That effect, ensuing from application of one very small percentage to another very small percentage, had seemed, generally speaking, to be negligible. So this had shown that it was possible to apply very simple rules without, however, introducing noticeable distortions through the assessment of the levy.

It was in the light of these calculations that it seemed possible to reduce to a very large extent the number of product classes that would serve as a basis for the levies. It was also under these conditions that it seemed possible to calculate, in very broad fashion, the deductions to be made at each stage to take account of the products already taxed coming into use or production. These were the two methods that culminated in the assessment system.

Only the following stages were selected:

briquettes and low-temperature lignite coke, coal;

iron intended for casting, excluding that intended for steel production, such iron itself being taxed, with a corresponding deduction for the coal used;

steel with a deduction for the coal used for production and for iron conversion. However, steel must be broken down into basic Bessemer steel and other steel to take account of the noticeable differences in the average value of the two product categories; and, lastly,

finished iron and steel products, deducting the steel used.

Working with experts from the various countries, we set out to determine, firstly, the average values for the Community as a whole, which had to match each of these products, and, secondly, the deductions to be



made, i.e. the quantities of products already taxed entering a later stage of product manufacture, i.e. what the engineers call yield.

Once the figures had been compiled, we obtained a taxable value per tonne of each product, which was taken as a basis for the levy, and consequently for the amount per tonne to be collected, by applying the levy rate to this value. In this way, taking account of the average values at the time when the levy was payable, we arrived at a scale of charges comprising only as many figures as there were taxable product categories, namely a total of 5 or 6. And the only accounting obligation for undertakings was to indicate the number of tonnes produced in each product category thus serving the purpose of assessment, to multiply this number of tonnes by the amount laid down by the scale for this product category, and to pay the corresponding amount into the High Authority's account. The basis chosen in this way was the one that required the minimum of strict checks, since the production figures are not the kind that it is to undertakings' advantage to underestimate, given that one day they may serve as a reference point either for distribution of raw materials in times of shortage or, as the case may be, for quotas in times of crisis. Given the simplicity of the accounting operations required of undertakings, payments could be requested at frequent intervals, which was to the advantage of both the Community and the undertakings, for which payment in instalments prevented cash flow problems. In this way, it should be possible to collect the levy on or around the 15th of each month, based on the previous month's production, the figures for which would be known and finalised by that date, and the payment would simply be made to the accounts opened for this purpose in the High Authority's name in each Member State in whose territory the taxable undertaking operated. Each undertaking would make the payment on behalf of all its affiliated establishments, with the exception of establishments belonging to an undertaking but situated in another Member State or, possibly, in a third country. To prevent transfer problems, such establishments belonging to an undertaking but situated in another country would make the payments relating to their output themselves.

Mr ERHARD, President of the Council, believed that the Council should establish a committee for the levy. This committee should review the documentation to be forwarded by the High Authority and then report back to the Council. The levy was not, of course, intended solely to cover administrative expenditure, but, nonetheless, there was a certain connection between the levy and administrative expenditure. Moreover, if the levy exceeded a certain amount, it could have an effect on prices, and governments might need to consider the impact this might have on the national economies for which they were responsible.

Mr MONNET agreed with the idea of establishing a committee to be responsible for reporting back to the Council and believed that it was essential to entrust to this committee the subject of the consultation between the High Authority and the Council, namely a review of the terms and conditions of assessment and collection but not the amount of the levy, which was the responsibility of the High Authority alone. The High Authority was, however, prepared to discuss it with the Council openly and by way of information. On these terms, the High Authority was prepared to accept the proposed method. The High Authority hoped that close links would be established with governments and remained willing to discuss its plans individually with members of the Council. However, it could not accept what was prohibited by the Treaty, namely radical changes to the institutions' powers and responsibilities and their relationships with one another. With regard to the amount, the High Authority would talk to the Council freely, but not in the forms laid down in the Treaty for consultation.

The High Authority was very concerned to maintain the character of the Community institutions. In addition to the single market, the Schuman Plan would have to lay down common rules and establish the beginnings of institutions. That was why it was important to observe the formalities; by maintaining the respective responsibilities, European institutions would develop that were not based on the kinds of compromise commonly adopted hitherto by international institutions.

Mr ERHARD, President of the Council, felt that the committee must deal with the amount of the levy not for formal reasons but in the interests of cooperation between the institutions and so as to enable governments to explain the action taken by the High Authority at national level. Furthermore, the levy, which was a tax, would be competing with national taxation. On the subject of the legal question of whether or not consultation should extend to the amount of the levy, he did not wish to express a definitive opinion.



He agreed with Mr MONNET's arguments as regards the respective responsibilities of the institutions, but he did not believe that the fact that the Council had also discussed the amount would result in confusion.

The French representative, Mr LOUVEL, said that as far as he was concerned, there was really no question of the Council being able to take over the High Authority's responsibilities. It was up to the latter to set the amount. However, it seemed to him difficult for the levy not to be a matter for the committee that the President had suggested creating. Indeed, if the levy was small, there was no point in discussing its assessment and collection at length, but, if it was large, it was obvious that its assessment and collection were of considerable importance. Mr LOUVEL hoped that close and loyal cooperation would develop between the Council and the High Authority. It would be helpful for government experts to be able to explain the difficulties that their governments might encounter through the establishment of a new tax, and this seemed all the more advisable since Article 2 of the Treaty stipulated that the Community must take care not to provoke fundamental and persistent disturbances in the economies of Member States. The committee should study the various repercussions of the amount of the levies envisaged so that the High Authority could calculate any repercussions.

Mr MONNET, President of the High Authority, recalled the genesis of the related passage in Article 50. What the negotiations had intended was that the Council would intervene only in the event that the rate of the levy exceeded 1 %. Mr LOUVEL had acknowledged that the decision was for the High Authority to take in the event that the levy was less than 1 %. It could not be assumed that a 1 % levy would be likely to create fundamental and persistent disturbances in the various countries. If this were the case, the Community's core industries would be in a serious situation. Establishment of the common market would give rise to more serious problems than a 1 % levy. The form of the levy could not depend on the amount. It would not be practical to impose changes of form on the coal and steel industries, and every government knew how difficult it was to amend taxation conditions. The essential task was to secure the capital required to enable the Community to carry out its investments. The matter was urgent. Accordingly, the committee of experts should set to work without delay and consider the levy methods, while accepting that the levy would not exceed 1 %.

The Belgian representative, Mr DUVIEUSART, said that according to Article<sup>o</sup>2 of the Convention on the Transitional Provisions, 'the High Authority shall not exercise the other functions assigned to it by the Treaty until the opening date of the transitional period for each of the products in question'. In his opinion, this meant that the levies could not be collected until the time when the transitional regime entered into force.

The French representative, Mr LOUVEL, emphasised that Mr MONNET's response involved a misunderstanding and that he had not meant to recommend changes in the forms of assessment and collection. He had meant that any discussion of assessment and collection presupposed a degree of knowledge of the amount.

Mr ERHARD repeated that the Council had no intention of encroaching on the High Authority's powers and that in his opinion it would be helpful for the Council to be able to say that it had been fully consulted and that it approved of the High Authority's decision. Such a position would only increase the High Authority's authority.

Replying to Mr DUVIEUSART, Mr MONNET said that he thought that, in the report that would be submitted to the Assembly in January 1953, and following the consultations and the contacts that were in progress, it would be possible for the High Authority to present an overall view of output and investment. As for the date from which the levy could begin to run, he drew the Council's attention to the financial provisions of the Convention which specified that the levy provided for in Article 50 of the Treaty 'may be collected upon the adoption of the first budget estimates'. These first budget estimates had to be submitted to the Common Assembly in January 1953. So this would be the date when collection would begin.

Mr DUVIEUSART stated that he had drawn the High Authority's attention to this point because the matter of the levy was a fiscal matter and, for that reason, its legal bases needed to be considered carefully. He still

believed that, with regard to the institution of the levies, the transitional period needed to have begun, i.e. the common market had begun.

Mr MONNET replied that the common market would be established in February. Since the due date was very close, this did not present a major problem. The committee should not concern itself with terms and conditions other than those relating to assessment and collection. The High Authority would have to take a decision before the end of December, so consultation of the Council would need to take place after the Levy Committee had completed its work, on 20 December at the latest.

Mr ERHARD believed that it was possible to satisfy the High Authority. It was to be hoped that the committee would complete its work quickly and that the results would be such that the opinions of Council members could be secured quickly, so that the deadlines recommended by Mr MONNET could be met.

On the subject of Items 7 (a) and (b), Mr MONNET said that the High Authority regarded the matter as important, delicate and difficult, since it was the first time that rules on these subjects would be adopted in Europe. Given these conditions, the High Authority would want to review the entire problem. Before consulting the Council, and before enacting the rules in question, the High Authority would hold an exchange of views with the various countries to ensure that it fully understood each one's concerns. Consequently, Mr MONNET asked the Council to hold over the deliberations on concentrations to the next Council meeting.

With regard to Item 8 (Rules Governing the Members of the High Authority), Mr ERHARD said that he wished to give the High Authority an opportunity to make any observations.

Mr MONNET said that, if the Council was in agreement, he would like the matter to be held over to the next Council meeting. In the interim, the text of the rules could be officially forwarded to the High Authority. The High Authority would want to make some observations to the Council, but these had not yet been finalised. In addition, Mr MONNET asked the Council to take into account the fact that the President of the High Authority was a member of the Committee of Presidents provided for in Article 78 of the Treaty. A final decision as regards the High Authority would be more or less applicable to the Court, so that the Committee's work would be prejudiced.

It was decided to hold over consideration of this matter to the next meeting.

The President then moved on to 'Any other business' and gave the floor to Ambassador SUETENS for the matter of negotiations with GATT and relations with the OEEC. Mr SUETENS briefly summarised the report that he had submitted to the Council on the implementation of the mission entrusted to him, namely to represent the common interests of the Member States in the negotiations to be entered into with a view to securing the necessary derogations from the rules of the General Agreement on Tariffs and Trade (GATT). Czechoslovakia had voted against the derogations, and it was possible that that country would invoke the clauses of its bilateral treaty against the GATT decision. The derogation secured was not sufficient to facilitate establishment of the single market. Other negotiations needed to be undertaken with countries outside GATT. For practical purposes, these countries could be divided into four categories:

First category: Switzerland.

Ambassador SUETENS said that an initial exchange of official views had taken place between himself and Mr HOTZ, Director of the Economic Affairs Section in the National Department in Berne.

In negotiations with Switzerland, the question arose of whether the Member States of the European Coal and Steel Community would be acting separately or whether a common negotiator would be appointed, at least for the questions of principle of interest to the six countries.

Second category: countries behind the Iron Curtain.

Mr SUETENS believed that these countries were unlikely to display a conciliatory attitude. However, they would be given notification. If no favourable response or no response at all was received by 10 February 1952, the common market should nonetheless be established. Whatever happened, it seemed inevitable that the existing agreements would have to be terminated.

#### Third category:

The third category included the countries not belonging to GATT but which could be hoped to display a benevolent attitude (Spain, Portugal, Argentina, Mexico, etc.). It seemed that it would be sufficient simply to notify these countries.

#### Fourth category:

These were the countries with which agreements were being prepared: Israel, Iraq, Japan. It would be helpful if all the countries followed the example of Germany and Italy, which had taken the precaution of including in their agreements a clause exempting from the most-favoured-nation clause the concessions granted in the Treaties, such as the one instituting the European Coal and Steel Community. It would seem to be worthwhile for the Member States to adopt a resolution on this subject and to agree on a common wording of the clause in respect of derogation from most-favoured-nation status. With regard to the OEEC countries, a common representative of the governments of the Member States of the European Coal and Steel Community had been appointed to conduct these negotiations. The High Authority had also appointed an observer, so that these negotiations could take place together as quickly as possible.

Mr SPIERENBURG, Member of the High Authority, asked if the Committee on Commercial Policy had considered the question of the countries with which it was genuinely essential to start negotiations. In this context, there was a need to consider whether there were countries other than GATT members that exported substantial quantities of steel. If there were, it would actually be necessary to enter into frequently unpleasant negotiations with them.

Mr SUETENS replied that the Committee, which had just met for the first time on 29 November, had not yet had time to study this matter and that it did not yet have the necessary documentation. Moreover, even if there were countries which did not have any material interest, the fact that a Treaty existed, i.e. a series of rights and obligations, still needed to be taken into consideration.

In Mr SPIERENBURG's view, the consideration he was requesting would show whether the negotiations needed to be conducted jointly, by 2, 3 or 6 representatives or by a single representative. The countries should act jointly, because they would be in a stronger position. At all events, the High Authority would best be represented by an observer.

Mr ERHARD proposed that the whole problem should be referred to the Committee and that the Committee should draw up specific proposals on the basis of which the Council could take a decision.

The Italian representative, Mr TAVIANI, emphasised the need for joint action by joint representatives. As far as Italy was concerned, he had no fears as regards the consequences of such action vis-à-vis the Iron Curtain countries.

Mr ERHARD proposed that the procedure for the Levy Committee be determined at the next day's meeting. At all events, the Committee needed to meet as quickly as possible in order to report to the Council, so that an opinion could be delivered to the High Authority before the end of the year. The text of the decisions would be drafted in order to be submitted for the Council's approval before its members returned home.

The meeting adjourned at 7 p.m.

The meeting resumed at 2 p.m. on 2 December.

Mr ERHARD gave the floor to Mr WESTRICK and asked him to outline the agreement reached within the Committee instituted on the previous day to consider Items 3 and 4 (Consultative Committee).

The Council decided to adopt the procedure recommended by the High Authority, i.e. to take at the same meeting the two decisions assigned to it by the Treaty (designation of organisations and appointment of members).

Consequently, the Council went on to designate the representative organisations of producers and workers and to appoint the members in this category.

In the producers category 1 seat was to be held alternately every two years by Italy and the Netherlands.

With regard to workers, the President said that the proposals submitted by the international organisations had been taken as the basis for the deliberations of the Committee instituted on the previous day.

The result was as follows:

Germany	5 seats
Belgium	2.5
France/Saar	5
Italy	2
Luxembourg	1
Netherlands	1.5

One seat was therefore to be held alternately every two years by Belgium and the Netherlands.

The French representative said that his government wished one of the seats allocated to France to be held alternately every three months by two separate organisations.

The President said that some countries had expressed a wish for provision to be made for observers for the seats allocated to be held alternately.

Following a statement by Mr MEURICE, the Council agreed that it was desirable for observers to be appointed and asked a committee of legal experts to consider the question of whether the presence of observers was compatible with the terms of the Treaty. The representatives of Belgium and the Netherlands asked that no decision be taken as yet as regards the organisations and the Belgian and Dutch members. The Council then went on to appoint the members from the category of consumers.

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The draft decisions read out to the meeting gave rise to some observations. For example, formal confirmation was requested that the Council had appointed Ambassador SUETENS as common representative of the governments for the negotiations to be conducted with the OEEC.

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Following a statement made by the Secretary, the representatives of the Member States, meeting at the second meeting of the Council, decided to authorise the Court to apply to the remuneration of the judges and advocates-general the same scales that were proposed at the first meeting of the Council on 8–10 September 1952.

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On a proposal from the Italian representative, the meeting of the Levy Committee was set for 12<sup>o</sup>December. The President proposed that members should designate, within 10 days, the experts for the Legal Committee convened to consider the question of observers on the Consultative Committee.

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The Council decided not to set a date for its next meeting because, firstly, it might be necessary to meet at short notice in the light of the outcome of the Levy Committee's work, and, secondly, because, on 7 December, the Presidency would pass to another member and the current President did not wish to prejudge the matter.

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The President said that the Council had completed its work.

The French representative, Mr LOUVEL, thanked the President on behalf of his colleagues for the way in which he had led the discussions and for the patience that he had shown during the deliberations.

The President declared the meeting closed at 3 p.m. on 2 December 1952.

A press conference was held immediately after the meeting closed.