

## Position taken by the Saarbrücken Chamber of Commerce and Industry on the Europeanisation of the Saar (1953)

**Caption:** In 1953, the Saarbrücken Chamber of Commerce and Industry delivers its opinion on the negotiations conducted with a view to the possible Europeanisation of the Saar.

**Source:** Industrie- und Handelskammer des Saarlandes. Saarwirtschaft und Europäisierung des Saarlandes: eine Stellungnahme der Industrie- und Handelskammer. Saarbrücken: Industrie- und Handelskammer des Saarlandes, 1953. 131 S. p. 7-29.

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**In the event that the Saar is made into a European territory, what would be the particular requirements of the Saar economy?**

### Introduction

The Chamber of Commerce and Industry has concluded from a study of the structure of the Saar's outward and inward external trade flows over the last 25 years that France and Germany have been far and away its most important trading partners. It has been established, further, that the Saar's substantial import and export requirements call for a broad European market, with the primary emphasis on France and the Federal Republic. The expectation that the efforts in favour of European integration will secure and indeed bolster that market lent that study an optimistic perspective.

A second stage is to draw from the statistical results a certain number of conclusions concerning economic policy, as a contribution to the debate on the Europeanisation of the Saar from the standpoint of the Saar economy. This approach appears justified in the light of the facts set out below.

According to the preamble to the General Treaty, the Treaties between France and the Saar were concluded in the expectation of a European statute for the Saar and with a view to facilitating the creation of that statute. Meanwhile, in the organs of the European Community, the Europeanisation of the Saar has been included in the negotiations as an important issue, the basis for this development having been provided by the Van Naters report. The Europeanisation of the Saar has also been touched on a number of times in the direct discussions between France and Germany. It may be assumed that, following the failure of the Berlin conference, this aim will start to take real shape.

To date, the Saar economic community has not taken a position on the Europeanisation question through its appointed organisations. Nor does it currently wish to take a stance on the political and legal aspects of the problem, as it does not consider itself to be competent to do so. It nevertheless regards it as an important task, in accordance with the intentions of the two Treaty partners as set out in the preamble to the Treaties of 20 May 1953, to draw general attention to a certain number of views concerning the structural situation of its economy, to its experience past and present and to those requirements which it holds to be vital. It does so in the belief that it will thus make a useful contribution to the aim of safeguarding the prosperity of its undertakings and maintaining the living standard of the people of the Saar.

The reflections which follow are incomplete insofar as they have deliberately been confined to certain fundamental points. The Chamber expects to be granted an opportunity to canvass the views of broader sections of its members on the individual questions posed and to be able to submit its corresponding report before the European organs take final decisions concerning the Saar, its economy and the people who live there. The Saar economic community deems such a hearing to be essential since, in its opinion, the Europeanisation of the Saar can succeed and bring benefit to the countries and national economies concerned only if proper account is taken of the natural circumstances and if everything possible is done to avoid economic damage and ensure the success of this great attempt to achieve a general peace in Europe.

### Structure of the economy

Over the last three-quarters of a century, the border country along the Saar River has developed an economy of a primarily industrial nature on the basis of coal, iron and steel. The coal mines and ironworks were joined — first as their suppliers, then ever more independently of them as regards both production and sales — by innumerable iron foundries and metal-working firms, together with a range of consumer goods industries. The initial predominance of heavy industry thus gave way increasingly to a more disparate model. The region's administrative and political autonomy after the First and Second World Wars favoured this development; during these periods, the population's inherent tendencies and the opportunity to target an easily accessible French market, under the protection of customs duties and import licences, were a powerful

incentive to company starts. In 1952, the industrial sectors of the Saar economy accounted for some 340 billion francs, 89 % of a production total for that year of 384 billion francs (excluding agriculture). Of a total workforce of 302 000, 72 % were engaged in the various branches of production. The as yet incomplete figures for 1953 suggest only relatively minor changes.

### **Predominance of goods exports**

In the Saar, the volume and variety of goods produced by the raw materials industry (coal and iron, the output from steelworks and rolling mills) and of goods from other industrial branches greatly exceed local demand. Sale outside its borders is thus the only option for the bulk of industrial output.

The overwhelming importance of the coal mines and iron foundries, with an annual output valued at 160 billion francs and a workforce of 105 000, and the central position occupied by both these industrial branches as customers for suppliers from trade and industry, create a situation in which disposal of coal and of iron and steel products constitute the essence of the sales issue. Sales dips and work shortages in these two basic industries have a disruptive, paralysing impact on the rest of the Saar economy.

The obligation to win, beyond the Saar's borders, markets that are willing and able to absorb large volumes of industrial goods has always hung over the Saar economy like the sword of Damocles. The frontier position between two peoples and two national economies which mistrusted each other and rivalled with one another and which in recent decades, by successive turns of fate, were bound to or unbound from the Saar, did not make this task any easier for the Saar economy.

The aim pursued by Europeanisation must be to create new opportunities for the sale of industrial goods, that is above all to remove those impediments which, as a result of dirigiste measures or non-economic feelings of resentment, are currently closing off the natural sales avenues for Saar products.

### **Alternating economic interpenetration**

Experience shows that where the Saar maintains economic ties exclusively or primarily with only one of the neighbouring national economies, a sufficient market for its industrial output cannot be guaranteed for any length of time, or then only in entirely abnormal economic circumstances. On the other hand, the pressure exerted by Saar-produced goods in the direction of their natural markets and the pull from the areas having the corresponding demand prove so powerful in the long run that the re-routing of product flows imposed by non-economic influences cannot be maintained. Ways and means must therefore be sought and found so that proper account may be taken of natural trading conditions.

1. Prior to 1914, the Saar economy had access, as domestic markets for selling and buying, to the territory of the then German Reich, including Alsace-Lorraine, and to Luxembourg, which was linked to Germany by a customs union. Since it was during that period that the rise of the Saar economy occurred (coal output in 1913: 13.2 million tonnes, crude steel output: 2.1 million tonnes), it is clear that purchase and sales opportunities were consistent with economic needs.

2. In the years 1918 to 1935, the Saar Territory, temporarily separated from Germany, was incorporated into the French customs and economic system; as an outlet for the pressure created by industrial production, the Saar did however need access not only to the French market now assigned to it but also to its traditional German market.

In recognition of the natural purchase and sales needs which the Saar economy had built up over a number of decades, the Treaty of Versailles provided for a transitional five-year period of customs exemption for trade in goods with Germany. In the case of imports from Germany, the customs exemption was restricted to goods intended for local use and consumption.

Following the expiry of the interim period, new special arrangements for trade in goods with Germany were established by means of four successive Saar Customs Agreements. All the Agreements provided for the duty-free export of Saar-produced goods to Germany. For imports from Germany, preferential arrangements were conceded, by the 1928 Agreement in particular, and these went some way to satisfying the import requirements of the Saar economy.

3. From 1935 to 1945, iron ore imports between the Saar and France were fully maintained, while coal exports were maintained to a large extent. While this period in which the Saar formed part of the German national economy was marked by full employment and easy selling of goods, this was because arms production and the job-creation measures entailed by a policy of self-sufficiency created abnormal economic conditions in which all industrial capacities were used to the full. Economic considerations, such as costs, shipping and sales, were of secondary importance, especially during the war.

4. In the period since 1945, a distinction should be drawn between:

(a) the years, through to the end of 1947, devoted to clearing up war damage, to reconstruction and to the gradual resumption of production. The production of industrial goods was limited during this period almost entirely to what was required for the reconstruction of industry and local infrastructures, and beyond this to a wide variety of consumer goods which could be used as barter for foodstuffs. A shortage of raw materials and border closure firmly ruled out any extension of production;

(b) the years, through to 1950, of economic consolidation and almost exclusive ties to a French market with a virtually unlimited capacity to absorb output. These were years in which, thanks to the Economic Union with France, Saar production had almost unrestricted access to the West. Acclimatisation to the new market conditions was made easier by the slow rate at which production picked up. Selling products presented little difficulty, even though no significant trade was possible eastwards. The task of catching up and the large public and private investments being made in France fully absorbed the Saar's supply capability;

(c) the years to 1953 which, with the economy at the top of the cycle, the continuing almost unlimited demand from France and the gradual re-emergence of German customers following the currency reform, created a favourable employment situation and balanced trade relationships. The employment, production and sales figures equalled the highest levels achieved in earlier periods;

(d) the years of economic normalisation since 1953. These years are characterised by a decline in credit inflows, from the USA in particular, a plummeting rate of investment in France, a decline in the boom related to Korea, further economic strengthening of West Germany and the establishment of the free market in coal and iron in the ECSC countries. The hitherto predominant link with France is beginning to display some initial signs of weakness, with a decline in the ability to absorb Saar industrial products. At the same time, the unimpeded trade in goods between the Schuman Plan countries is weakening the Saar's competitive position.

### **Securing necessary imports**

The industrial nature of the Saar economy, the density of the population and the insignificance of agricultural earnings are all factors which emphasise the vital importance of import requirements. The

following have to be imported: ore for iron production, coke for smelting, industrial raw materials, machinery, motor vehicles and spare parts for virtually all production sectors, the bulk of foodstuffs and animal feed, along with health-care requirements, and finally a substantial proportion of the remaining requirements for consumer goods. In other words: the import demands, and in particular the demands of trade, as determined by technical and qualitative considerations and by market preferences, must be satisfied.

On many occasions in recent years, the Saar business community has demanded action to stem the loss of customers to Germany. It has proposed that measures be taken to facilitate imports and thus shield the economy as a whole from the damage caused by that loss. The measures put forward seem well designed to stem the uncontrolled outflow of foreign exchange. Given the perceptible reduction in normal turnover as a result of customer disaffection, some arrangement must be found that will put an end to this situation.

In order to pay for the necessary imports, the only option is to use earnings from the export of goods, since revenue from other sources, such as services and transport, yield on capital and so forth, is virtually non-existent. The export of Saar industrial goods is essential, therefore, not only in order to ensure that the industrial undertakings operate at full capacity but also to secure the vital imports without which trade and industry would grind to a halt.

Until such time as trade with France has been liberalised and the French currency has been made freely convertible, trade in goods with France will continue to be governed by reciprocity. The import of goods from Germany is being hit particularly hard by this situation; average annual imports of goods, other than heavy industrial goods, over the period 1950–52 have declined by half compared with 1927–29. There can be no doubt that this fall in imports is partly responsible for the failure to make the acquisitions required for the equipment and modernisation of industrial undertakings.

This state of affairs, with its damaging impact on the supplies for the Saar economy, could be overcome, or at least mitigated, particularly as trade with the Federal Republic has in the last two years registered an average export surplus of about 10 billion francs for the Saar. A European economic statute according the Saar greater trading freedom would relieve the pressure on France, while the Saar would be in a position to fund its import requirements, which can no longer be deferred, out of increased currency receipts. But above all, a partial redirection of the goods flow to the Saar's traditional customer base in southern Germany would greatly relieve a French market whose ability to absorb Saar products is now overstretched.

To do so would not jeopardise the principle of the common market between France and the Saar; nor would it be difficult to classify the imports covered by these expanded arrangements according to their national economic importance and, where appropriate, impose restrictions on them by type and volume in order to avoid undesirable effects on the Saar's relationship with the French market.

The import quota could be variable, and the practical import and export arrangements could be based on principles similar to those which were applied in the period from 1920 to 1925 and which were later reproduced in the various Saar customs agreements.

### **Transport connections and costs**

It follows from the Saar economy's dependence on the export and import of large quantities of sometimes extremely freight-reliant bulk goods that the issue of the Territory's location and in particular of the transport routes to and from the main regions with which it trades is central to any assessment of economic policy.

While the Saar does indeed occupy a central position in Western Europe as a connecting (and at the same time dividing) piece between Germany and France and as an important section of the north-south industrial route running from the Netherlands, Belgium and Luxembourg via Lorraine and Alsace on to Switzerland and finally Italy, the benefit of this central position is substantially impeded by the high hilly areas (Eifel, Hunsrück, Pfälzer Wald and the Ardennes) which surround the Saar; devoted essentially to agriculture, these

high hilly areas offer no significant potential for the marketing of Saar products. In transporting Saar industrial goods to the consumer regions, it is therefore necessary to cross these stretches of land. The available railway network is sufficiently extensive for this purpose but has not been modernised. This implies high transport costs for the predominantly freight-reliant bulk cargo.

This situation is not helped by the fact that bulk transport by inland waterway plays only a very modest role — 3 to 5 % of freight in both directions is carried via the Saar coalfield canal.

The transport cost factor is of substantial, often decisive, importance for the marketing of bulk goods, particularly during periods of declining economic activity and/or when new, more powerful regions seek to compete with the Saar for its markets. In such a situation, if assets important to the economy as a whole are to be protected and preserved, special arrangements in respect of transport charges or sale prices must be introduced which are sufficient to alleviate, if not entirely compensate for, the geographical location and transport deficiencies. Measures of this kind can be properly assumed only by governmental and economic authorities which have been allowed to spread the load more widely and which show a genuine interest in the economic fate of the area which is to receive this favourable treatment. If it is thought preferable to manage in the long run without such ‘as if’ compensatory arrangements, then the disadvantage arising from the transport situation must be removed by lasting improvements to the transport routes.

Since transport costs are such a major factor in determining the costs borne by the Saar export industry, this particular solution — a comprehensive upgrading plan for the ageing east-west and north-south transport routes — deserves priority attention. The situation is such that the requisite action is possible only in a European framework. The Saar-Lorraine-Luxembourg industrial region should therefore be treated as a single entity, and new transport projects, whether railway electrification or the development of existing canal links and the construction of new ones, should reflect the overall needs of this economic area.

In order to normalise trade in goods with the Federal Republic, it will however be necessary to abandon the current system of separate freight charges and, as was the case at the time of the League of Nations and as is done with transport with France, to return to through-charges for freight.

### **Coal, iron and steel sales issues**

It can be seen from the figures for Saar industrial sales that a substantial proportion of the main products — 60 % in the case of coal and coke, 70 % in the case of iron and steel — have to be marketed outside the region itself if capacity is to be fully used in these two basic industries. In previous periods, this condition was largely satisfied, the French or the German partner taking pride of place depending on the economic area to which the Saar was affiliated at any particular time.

In the period from 1927 to 1935, coal and coke exports to France predominated, while Germany was ahead in the case of coal and steel. From 1935 to 1939, Germany was the sole major customer, with only trade in iron ore and coal with France retaining its traditional importance, despite reduced coal exports. From 1945, France, with its seemingly unlimited capacity to absorb imports, assumed a quasi-monopoly as customer for the Saar’s heavy industrial products. Only coal supplies to Germany continued to play a role, a role which grew in importance in absolute and relative terms as time went by. Since the average annual coal output in the period 1950–52 stood at about 16 million tonnes, compared with 14 million tonnes in the years 1927–29, the volume that is today available for sale is some 2 million tonnes greater than in the League of Nations era. It has been possible to dispose of the extra amount only because Germany has purchased more.

Expanding the sale of coal mined in the Saar presents substantial difficulties because of the high levels of volatile elements in its composition. The sales potential is also affected by the geographical location of the Saar coalfield in comparison with other European coalfields, by its remoteness from sea-ports and by the absence of a satisfactory inland waterway system. Sales of iron and steel products to Germany have fallen far short of those recorded in earlier periods. The resulting decline in sales is further aggravated by the fall in supplies to other countries compared with the figures for 1927–29, even if increased sales to France provided some relief.



The establishment of the common market in coal and steel among the Member States of the ECSC has created an entirely new marketing situation for the Saar's heavy industry. With the abolition of the customs and foreign exchange rules which, together with the provisions regulating commercial transactions, contributed to stability and offered protection against competitors, there is a real risk that what were hitherto the Saar's natural markets — France, western and southern Germany — will no longer fulfil their traditional role, becoming instead a battleground for coal, iron and steel producers seeking sales outlets.

Whereas in the past eastern France offered a stable market for coal and southern Germany provided a reliable outlet for iron and steel products, the picture is now beginning to change ever more perceptibly, particularly as eastern France's industrial region is moving increasingly away from a coal and steel shortage and increasingly towards a surplus. Far from continuing to absorb Saar products in the volumes seen in the past, it is now itself emerging, together with Luxembourg and Belgium, as a seller and competing on the established markets with more favourable supply terms.

The ECSC common market has added a further dimension to the sales issue. Henceforth, successful market performance will be determined exclusively by economic factors. In the future, the decision will be carried solely by the quality of the goods and the comparative terms and conditions of sale — in this sense, the coal and steel sector is setting the scene for the subsequent establishment of a more extensive pan-European market. That is to say, if firms wish to retain their customers and win new ones, they will have to be in a position to submit the best offers, and that will mean modernising their facilities, rationalising their production processes, achieving high shift and production figures, improving quality, lowering transport costs and offering attractive payment terms.

For the Saar economic community, it is painful to have to recognise that eastern France's heavy industry in particular is being equipped extremely effectively to fight for the European markets, thanks to comprehensive action to expand and develop the mines and also to the modernisation and construction of iron and steel works and rolling mills, whereas in the Saar very little can be done in this direction. This state of affairs is all the more distressing in that it has arisen despite Treaty provisions which in principle lay down that the two partners in the Economic Union enjoy complete equality as regards the conditions for economic activity. These comprehensive investment programmes are enabling the neighbouring Lorraine region to move ahead on its own; the existing relationship between two complementary, harmoniously developing economic areas is thus undergoing a fundamental change as they develop into outright rivals.

The Saar's coal-mining industry and its iron and steel concerns will survive the chill wind of European competition only if the local mineral resources are mined and further exploited as economically as possible, and if the production processes incorporate methods which are at least as advanced as those used in the competing areas and if possible even more so in order to offset an unfavourable geographical location and high costs. There is no possibility that the Saar could achieve this result by its own efforts alone and with the same resources as hitherto. Over recent decades, coal mining and the iron and steel industry were unable to expand and modernise their facilities as much as would have been desirable. To bring them to the current state of the art, as has already been done in neighbouring Lorraine and will undoubtedly also be done in the Ruhr in the near future, it will be necessary to work from a broader basis, and that basis can only be European.

In Europeanising the Saar region, the main aim, as far as its heavy industry is concerned, must be that it should no longer remain a no-man's-land between east and west but should, to ensure its further technical development and allow it to remain competitive, be placed on an equal footing with the other European industrial regions. An immediate effort should therefore be made to establish for the Saar coal, iron and steel industries a broader administrative and hence also financial basis, in order thereby to attract the interest of regions offering potential markets and instil in them a sense of shared responsibility for the health of the undertakings concerned. Only by proceeding in this way will it be possible in the long run to maintain existing routes to the markets for coal, iron and steel products and open up new ones, on conditions that are economically sound.

## Sales issues affecting the other industries

The question of market outlets is of key importance also for the Saar's manufacturing and consumer goods industries, which, with a more than 40 % share of industrial production value and a workforce of some 50 000, occupy a significant position in the overall economy. In the years from 1950 to 52 an average of 86 % of their total exports went to the French economic area, while 10 % went to Germany and 4 % to other countries. The other industries have over time developed profiles which may or may not be regarded as healthy if those industries are viewed individually; but viewing them collectively it would be better where possible to stay with the configuration that has evolved, in order to avoid a sustained decline in the population's standard of living and protect the substantial capital investments which have been made.

To meet the exceptionally high demand for imports of iron ore, coke, industrial equipment and consumer durables and non-durables of all kinds and the heavy demand for foodstuffs and animal feed, there is an urgent need to increase the exports of iron and steel products and other industrial goods. It is a fact that France, on the basis of the Treaties, has hitherto been willing and able to accept the Saar's export goods and in return supply the necessary import items. It has in recent years been possible in this way to ensure full use of the Saar's industrial capacity and achieve high levels of economic stability.

On the other hand, the Saar industry has virtually lost the German market for almost all exported goods, with the exception of the supply of fuels and iron and steel products to the southern German market. It will be difficult for the Saar to win that market back, given its current status, its excessive supply prices and the emerging capacities in western Germany. For a whole series of export goods, France has already been unable to offer a complete substitute market for exports which previously went eastwards. Thus as regards iron and steel products and by-products, chemicals, fertilizers, ceramics and artificial stones, glass and glassware, timber and timber products and various other goods, it has not been possible in the post-war period to export the same volumes as in the League of Nations or pre-war periods. However indispensable the French market may be in absorbing the Saar's 'other' industrial products, here again experience points to the risks implicit in such an absolutely one-dimensional sales position, risks which must be identified early enough and wherever possible neutralised.

To take an example, there are clear signs that the Saar capital goods industry, which for many years could rely on France's long-running economic plans to ensure full employment, has little prospect of successfully defending its market against French competition characterised by under-used capacity. That industry ought, under the proposed European statute, be offered an opportunity to become part of a framework extending beyond the Franco-Saar market and to do so on terms that do not constitute an inherent handicap in relation to the other European competitors. The same applies also to certain other industrial sectors which, as in the case of a number of highly efficient consumer goods concerns, can only look to a pan-European framework to accommodate their production quotas! As long as the French market was able to absorb their products, they had no need to make their presence felt in wider markets.

It follows that the Saar manufacturing and consumer goods industries must in the first instance direct their efforts at maintaining their presence on the French market. It must not be forgotten, however, that even today this market cannot absorb the complete range of Saar products. Nor can there be any doubt that French industry, strengthened by a series of large-scale modernisation plans, will improve its efficiency, with in the long run a corresponding reduction in France's foreign imports. Winning back earlier markets and conquering new markets is therefore a task which must be addressed, but a successful outcome will be possible only if viable undertakings are revitalised and if excessive burdens are removed. The Europeanisation of the Saar should give rise to a 'Europeanised' Saar export industry, one equipped to find its place on the great European market of the future, in which there will be no place for border-zone protection and where the sole criterion will be performance.

Modernisation measures of the kind already taken in the neighbouring countries will, as in the case of heavy industry and even if they come a little late in the day, be of decisive importance for the manufacturing and consumer goods industries.



## Monetary and financial issues

It is only possible to touch here on the question of a currency for Europe, which would initially be valid tender in the Europeanised Saar Territory and would then be extended gradually to all European countries, or again on the concept of a dual currency. These ideas may come to play an important role as means are sought to stabilise the costs incurred in creating a Europeanised Saar economy and eliminate its vulnerability to currency-determined swings and unrealistic exchange rates.

Similar considerations apply to the establishment of specific financial and tax policies for the Saar, ones designed solely to meet the region's own needs.

A European Saar currency should however be created only if no better solution can be found. The risk that a separate currency might restrict trade rather than promote it, until such time as a European Community actually materialises, is not one that can be dismissed lightly. Whatever route is chosen, the European aim for the Saar must be to ensure that price and wage stability and public expenditure are such as to allow Saar products to compete in the European market.

## Outlook

The evolution of the Saar economy over a number of decades has given rise to many factors which now allow the Saar economic community to view the idea of 'Europeanisation' as something meaningful. A European solution would, in economic circles, be expected to secure import and export markets and result in a general, sustainable consolidation of economic conditions. The man in the street simply looks to it to preserve his job and maintain a decent standard of living.

The experiences of the past and the circumstances of the present all point to the Saar's intense economic interpenetration with France and Germany. In their dual roles as customers and suppliers, both countries are essential to the Saar economy. These bonds will be strengthened even further if the full range of economic transactions, increasingly freed from distortions and obstacles of all kinds, can proceed in an atmosphere of friendship and trust. The ability of a European Saar Statute, developed jointly by France, Germany and the Saar and supported by them, to reconcile conflicting interests is of immense general importance.

The Saar economic community regards the Europeanisation of the Saar as the second constructive step towards European unification, the first having been creation of the European Coal and Steel Community, which opened up a path from idea to practical reality. That first European act was a courageous leap into unknown territory; the experience acquired by the ECSC in this initial foray now provides a firm basis for the second act which is to follow.

In preparing for and implementing Europeanisation, proper account should be taken of all the constructive elements offered by the natural economic conditions under which the Saar population and the Saar economy have lived and worked to date. Over the many periods of its development, the Saar has achieved much that is good and much that is less than good. What matters today is to keep what is good and positive and develop it under European colours. Whatever is unnatural and negative must be cut out. The Saar economy and population are working on the principle that a European Statute for the Saar will not disregard their vital needs but will in fact do the contrary, making those needs the very real foundation for its action.

It is in this conviction that the Saar Chamber of Commerce and Industry, as official representative of the Saar economic community, requests that those concerned give their attention to the above considerations and offers them its assurance that the ideas set out therein are motivated solely by a concern that a satisfactory solution may be reached to the Saar question.