

## Address given by Jean Monnet at the meeting of the Special Council of Ministers (2 February 1953)

**Caption:** Address delivered by Jean Monnet, President of the High Authority, at the meeting of the Special Council of Ministers of the ECSC held on 2 February 1953.

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## Address given by Jean Monnet, President of the High Authority, at the meeting of the Special Council of Ministers on 2 February 1953

Mr President, gentlemen,

I. Since our last meeting we have, on 28 January, sent the Council Secretariat a letter setting out the specific points on which we are required to consult you under the provisions of the Treaty. These are as follows:

- whether it is advisable to fix maximum prices, and the price level so to be determined;
- regarding coal, iron ore and scrap, what additional information must be introduced immediately by regulatory decision in order to define the prohibited discriminatory practices;
- regarding scrap, whether it is advisable to apply Article 59 and Annex II of the Treaty, and whether it is advisable to make financial arrangements under Article 53.

I would also point out that, since our last meeting, there has been a meeting of the Consultative Committee on 26 January, which we asked to submit its opinion on the points provided for by the Treaty within a period of eight days, in accordance with the third paragraph of Article 19. The Committee appointed three working groups which are to meet in Luxembourg on 4 and 5 February, and it will inform us of its opinion on 6 February.

On 7 February we are to receive here the Common Market Committee of the Common Assembly, as decided in Strasbourg on 12 January this year.

At the same time as consulting you about specific points, we will also explain all the measures we intend to take for the establishment of the common market, in order to have a broad discussion with you. At a time when such important decisions are to be taken about such complex issues, I would add that I and my colleagues in the High Authority are eager to hear all your comments, whether on individual points or on all the measures envisaged.

I would stress that the High Authority does not wish to take any final decisions until it has heard your views and those of the Consultative Committee. The consultation on the levy has already clearly shown that the High Authority is not wedded to texts in advance, but in reaching its final decisions is guided by, and will always be guided by, all of the consultations it carries out.

II. As I had the honour of telling the Assembly, yourselves and most recently the Consultative Committee, in a speech of which you have received a copy, we are preparing all the measures to be taken for the establishment of the common market and are endeavouring to take account of everyone's problems, so as to ensure a smooth transition from the current situation of isolated national markets to a common market for our six countries.

With this in mind I will now explain the measures that we plan to take.

These measures will not all be taken at the same time, nor will they all be submitted together for consultation with the Council. First, there are general measures for the establishment of the common market: these are the ones on which we are consulting you today, and you will be receiving the corresponding draft decisions in the course of the meeting. Secondly, there are special or transitional adaptation and safeguard measures which will be introduced at short notice and on which we will be consulting you subsequently. They all form part of the same whole, however, and I will place the decisions on which we are consulting you today within this general context.

III. All the measures we have to take are linked to a timetable which I will tell you about first of all, and which is the subject of a draft letter of notification which the High Authority intends to send to the Governments of the six countries. You will be sent a copy of this draft.

The equalisation mechanism is required to be in place six months after the High Authority takes up its duties. We will be notifying you that this equalisation mechanism will be in place on time, in other words by 10 February.

On the same date discrimination in the transport field must be abolished, quantitative restrictions and customs duties on coal, iron ore and scrap must be removed pursuant to Article 9 of the Convention, and the High Authority must give notice that it is in a position to exercise the powers to be conferred on it at the start of the transition period, the most important of which relate to prices. It will publish certain decisions about pricing straight away on 10 February, swiftly followed by the prices to be fixed.

The High Authority cannot publish decisions on prices before it has the power to do so, which will not be until 10 February. A certain period is then required for undertakings to find out about the decisions, with a further period for them to make adjustments. A few more days also need to be allowed because we need to fix certain prices and there is a procedure to be followed here. The change in the coal and ore prices will be made by 1 March at the latest, and for scrap by 15 March at the latest. This does not mean that buyers will not have the right, from 10 February, to demand compliance with the non-discrimination rules, but in practice undertakings cannot be punished for failing to meet their obligations until those obligations have been set out unambiguously in legislation.

I would now like to look at each of the measures included in this timetable.

### Equalisation

As far as equalisation is concerned, a meeting of experts has defined the criteria for the basis of assessment of the levy and a method for determining unequivocally and promptly the countries whose coal mines would be subject to the levy. The figures have been collected and are available for you to see. The conclusions are sufficiently clear for us to feel that, in view of our very heavy workload, a further experts' meeting is not necessary.

The Convention provides that equalisation should allow certain reductions, specified in the text, to be made to the price of Belgian coal. We feel that it is desirable to determine as quickly as possible how much money should be involved here and the rate that should be fixed. In these circumstances, however, we first need to see the new prices. We should be able to decide on these matters towards the end of February.

### Transport

Experts have put forward proposals regarding the transport discrimination that is to be eliminated by 10 February. We would like to be sure that the Governments will apply the new tariffs not just to coal, iron ore and scrap, but also to steel, and that they will actually be published by 10 February.

### Prices

As far as prices are concerned, we feel it necessary to spell out how the non-discrimination rules in Article 60 should be applied. You will be receiving a draft text, though I should point out that it does not contain the necessary details about the tax system to be applied to sales on the common market. This is a fundamental point, and the High Authority will in due course expand the text you are sent to include these details, if appropriate, and will then consult you formally on the subject.

Under the same article we have also felt obliged to produce a document on the minimum information that the price lists should contain. A draft of this has been given to you.

Lastly, a third draft produced under the same article states that, for coal, undertakings must charge either a pithead price or at least a price from the point on which they base their price lists without being able to align individual quotations on the price list of another mine, except for zone prices specifically authorised under

Article 24 and in order to prevent shifts in production levels in favour of certain coalfields for specified qualities and for sales in specific regions.

We have said that our intention was to fix maximum prices for coal. The methods for fixing these prices have been discussed at length with your experts. What we have in mind, subject to a legal study that is currently being carried out and without having taken any final decision, is a solution that reconciles the legal obligations concerning maximum prices with a margin of flexibility in how undertakings determine sort prices within maximum average prices for each main category, fixed for them or for the marketing boards to which they belong.

### Price levels

As far as price levels are concerned, we have already indicated our general approach to this in the discussion on 16 January. One of the Community's fundamental rules is to avoid economic disruption if at all possible. The establishment of the common market will in itself involve major price changes, correlating to the changes required in current practices. These price changes will result from, among other things, the abolition of dual pricing, the abolition of quantitative restrictions, the abolition of equalisation levies on entry, the abolition of discrimination relating to transport, the gradual elimination of certain types of aid and the introduction of certain levies. We think that absorbing these changes will in itself be sufficient outlay, so, subject to these fundamental modifications, we feel that the new prices should, if at all possible, be kept in line with the existing price level in our countries. There will necessarily be subsequent reviews to take account of our ideas on financing the development of our industries. But coal and steel prices do not just affect the coal and steel industries: they play a fundamental role in all pricing, and the Community has a responsibility not just towards the coal and steel industries, but towards the economy of the Member States as a whole.

### Scrap

The High Authority has consulted experts and the various parties concerned with scrap, and has found that while prices may have converged between our countries, there are still major differences between the various sources of supply, and imported scrap, which plays an important part in supplying the market, is much more expensive than scrap collected in the Community countries. The High Authority has also recognised, under the terms of Article 29(1) of the Convention, that Annex II, which contains provisions relating to Article 59 on shortages, could not be applied in time for 10 February, when the High Authority takes up its duties.

The High Authority will not use the procedure in Annex II unless this is manifestly essential. It therefore proposes to do the following:

1. In accordance with Article 29(1)(a), the High Authority plans to limit the increase in deliveries from one area to another in the common market, in other words provisionally to keep the current quantitative restrictions on exports of scrap until 15 March.
2. The High Authority requests the Council to give it unanimous assent so that it can introduce, pursuant to Article 53(b), an equalisation mechanism for imported scrap that would apply from 15 March, when it would also fix maximum prices and quantitative restrictions in respect of third countries.

However, if the Council did not feel that it should authorise us to introduce this mechanism, the High Authority would envisage preparing to apply Annex II so that scrap could be allocated temporarily from 15 March onwards.

### Ore

We hope to avoid fixing prices for ore. If this proves impossible, the level that the High Authority is proposing would not exceed the current export price. It should still be possible to resolve some very minor

difficulties. We will start work on this immediately.

IV. As part of this general approach the High Authority has endeavoured, as far as the Treaty allows, to take account of the various Member States' concerns at a time when the national markets are about to be merged into the first European common market.

I should like to describe the situation to you briefly.

(1) There has been an exchange of letters between the High Authority and the German Government. You will receive copies of these.

We have been informed in a letter of 10 January that the Federal Government intends to increase Germany's home prices for hard coal, hard coke and coal briquettes by an average of DM 5 per tonne from 1 February 1953; the home prices for coal would thus, on average, be at the same level as the current export prices. The letter also said that the Federal Government was obliged, in applying this increase, to retain or introduce an exception for certain groups of users.

In the days following receipt of this letter by the High Authority, Germany's experts held discussions with the relevant heads of division in the High Authority, and last week they submitted to them the price list for each category and type, which the Federal Government intended to publish.

Following these conversations, the High Authority replied to the Federal Government in a letter of 29 January that it could not agree to the increase, since it could not assess whether it was justified on the basis of the reasons given up to now. Germany's experts had been informed that it had serious reservations about the reasons given. The High Authority also could not fail to notice that the prices charged to all consumers would rise considerably if the exemptions granted to certain privileged groups were retained or extended. The High Authority had serious reservations about whether such exemptions were compatible with the provisions of the Treaty.

Since then the German Government has made the further adjustments we requested to the price list it submitted to us. This price list has now just been published by the Federal Government. As you will see from our letter, we have reserved the possibility for the High Authority to reduce the list to a basis that excludes tax.

The High Authority is aware of the problems that would be caused if certain price reductions granted to some consumers were abolished immediately.

We will be holding discussions with the German Government about the conditions for retaining these price reductions, and for how long it might do so.

(2) As regards France, we have endeavoured to avoid the impact of suddenly stopping the equalisation granted for coal bought from other countries of the Community for steelmaking, and we think that once our countries have made the price and transport adjustments, a residual amount might be authorised to offset the abnormal transport costs of maintaining intermediate reloading at the border, which should disappear through the application of the Convention provisions on transport. A similar solution might be adopted for sales of Sarre-Lorraine coal in Germany. Equalisation between coalfields, which we have to admit has been steadily falling, might be authorised under Article 24 of the Convention. We are also endeavouring gradually to abolish the aid which certain sinter plants receive in order to guarantee a continuous supply of domestic fuel for the population. Lastly, we are examining how we might finance zone prices that would be authorised under Article 24 of the Convention.

(3) The situation of the Netherlands has presented us with a difficult problem. We intend to meet the dual objective of ensuring coal supplies for the Dutch market while at the same time avoiding price increases on that market, in accordance with Article 24. An agreement is in the pipeline to make certain changes to the existing equalisation mechanism to bring it into line with the price rules that will come into force when the

common market is established.

With the allocation measures remaining in place until the end of the quarter, supplies for the Dutch market will continue to be as secure as they have been in the past. We will be pursuing talks to try to find methods compatible with the Treaty so that we have a solution from 1 April, and in accordance with Article 24 we will authorise whatever measures compatible with the Treaty are required to maintain prices for Dutch consumers.

(4) As agreed with the experts from the Italian Government, we will provisionally authorise the Government, under Article 27 of the Convention, to continue to charge customs duties on coke until 31 March, so that the situation can be reviewed before that date.

(5) I would mention here, just for the record, that we have devoted considerable attention to the problem of Belgian coal, which was at the time of the negotiations and still is today one of the main concerns that we should all have for the operation and future of the common market.

Mr President, gentlemen, these are the general outlines of the approach we are planning to take.