

## Louis Lacoste, Our iron in danger (1951)

**Caption:** In 1951, in connection with the debates on the ratification of the Treaty establishing the European Coal and Steel Community (ECSC), Louis Lacoste, chief representative of the Metal Workers' Association, outlines the dangers of the Schuman Plan for the French steel industry.

**Source:** Nouvelle Revue de l'économie contemporaine. Numéro spécial: Le plan Schuman. dir. de publ. Dauphin-Meunier, Achille. 1951, n° 16-17. Paris. "Notre fer en péril", auteur:Lacoste. Louis , p. 42-45.

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## Our iron in danger

**By Louis Lacoste**

*Chief Representative of the Metal Workers' Association*

The authors of the Plan for pooling the production of coal and steel have taken pains in their public statements to highlight the political aspects of their enterprise. They have very skilfully drawn a veil over the economic aspects.

Let us not, however, accuse them of Machiavellianism. They had more chances of creating a favourable 'climate' for their project by holding out the prospect of eternal peace in Europe than by comparing cost prices, equipment and production capacity. Not that they neglected such arid topics. But it was clear that in their eyes the highly political character of the objective they were pursuing took precedence. It is to be feared that, swayed by enthusiasm for their creation, their sense of proportion might have been imperceptibly damaged.

For after all, what is at issue? The issue is the creation of a common market for coal and steel, supplied on the most favourable terms for the user by means of competition among the producers. To this end, the existing protective provisions must be removed. The management powers exercised by private parties in their own companies, or by the French State in the companies that it has taken over, must in the main be transferred to the institutions of the new Community.

The owners of the companies 'transferred' can see very clearly the nobility of the objective claimed as well as the benefit of the audacious legal constructions that are being drawn up before their eyes. But they have good reason to conclude that, in all this, it is a question 'first of all' of the future of their enterprises. Since, as it appears, they have only been consulted for form's sake, they believe that they have not merely the right, but the duty to enlighten popular opinion about what is being prepared.

For what is being prepared — naturally without anybody wanting it — is, among other things, the irremediable relinquishment of the mineral reserves on which the iron and steel industry of our country has been based. It is crucial for whoever has the future of this country at heart to become aware at once of this threat and to appreciate its gravity before it is too late.

Our country consumes the ores from its subsoil in its factories. It is well known that in this respect our resources are considerable and that the Lorraine-Luxembourg basin is the richest in Europe. What is less known is that it is not inexhaustible. The total size of these deposits, which on their own satisfy the greater part of our needs — between 85 % and 90 % — and produce a large surplus that can be exported, is roughly known. Geologists calculate that from 2½ billion to 3 billion tonnes of exploitable calcareous ore can be extracted from these deposits.

The reserves of siliceous ore are a little less abundant, although of a similar order of magnitude, contributing only 25 % of French internal consumption and less than 20 % of our exports. Since calcareous ore, which is indispensable for processing siliceous ore, is used up at a rate that is three or four times higher, this must be the yardstick for our calculations: for a quantity that is about the same at the start, it will become exhausted four times faster and its disappearance will be the first limit placed on our reserves.

How long these reserves will last naturally depends on the pace at which they are exploited. The precise numbers give a clearer idea: 47 million tonnes of ore were extracted in 1929, a year of great economic activity, and 28 million in 1950, a year of prolonged social upheaval. At a rate of 28 million per year, the reserves of calcareous ore will last about 90 years. At 47 million, they will be exhausted in 65 years.

As the chairman of the Iron and Steel Industry Association pointed out to the ministers involved, it is clearly in the interest of our country to husband the only wealth that enables it to possess a steel industry of global scale. It must be stated that the authors of the Treaty have taken no account whatsoever of the many solemn warnings that have been given to them with regard to this subject. At best they show some traces of a slight

pang of conscience in a clause of Article 3, according to which the institutions of the Community should 'see that conditions are maintained which will encourage enterprises [...] to promote a policy of rational development of natural resources, avoiding inconsiderate exhaustion of such resources' (sic).

How strongly can this fragile barrier resist, when the dynamics of the whole system are directed at blasting it to pieces?

The interests present within the Community will naturally be antagonistic regarding a large number of points, but they will not be so continually, nor, above all, uniformly. There may be agreement for a certain number of participants to the detriment of one among them, who will in such circumstances have to bend to their will. This is precisely what risks happening to the exploitation of Lorraine ore. 'All' the participating countries, with the exception of our own, are importers of ore. It is therefore logical in their situation that, in a period of economic expansion or to develop their respective industries, they might be moved to demand an effort from the French deposits which we shall not be able to avoid having to make.

All the more so since our largely mechanised installations enable us to raise our output markedly and almost instantaneously. Our mines have the technical means to accelerate the process of exhausting the basin, if the Community so demands; were it to have the economic reasons to do so, would it possess the legal powers necessary? The reply to these questions can be seen both from the facts and in the texts concerned.

It is a 'fact' that, apart from us, all the member countries of the future institution are importers of ore.

Germany, because the Treaty of Versailles cost it 75 % of its ore production and because it still wanted to maintain the very strong position that its steel industry had acquired. Although it managed, by dint of enormous efforts, to extract from the ground 15 000 000 tonnes of ore in 1938, in the same year it needed to import almost 22 000 000 in order to produce 24 000 000 tonnes of crude steel. Whilst it may be true that the restrictive decisions of the occupying powers, the destruction of part of its factories, the dismantling of certain groupings and the living conditions of its labour force stand in the way of its ambition to realise such an objective at present, its production is already approaching 15 000 000 tonnes per year. The level that it will be able to attain in the more remote future is something nobody is in a position to predict, but we can rest assured that everything in its power will be done to ensure that this figure will be exceeded.

Belgium is almost entirely lacking in iron ore. Its consumption, which in 1937 was as high as 9 200 000 tonnes for a steel production of 3 850 000 tonnes, was covered to the level of 8 500 600 tonnes by imports from our country and from Luxembourg. Given that in 1949 its steel production rose to approximately 5 000 000 tonnes, one can quantify the vigorous recovery made by the iron and steel industry in this country, and also the size of its appetite for ore.

Italy possesses very few reserves of ore and for many years it has only been able to keep a low capacity steel industry going by systematically importing scrap iron. When its government wanted to develop the national iron and steel industry, it created integrated undertakings, starting from iron ore to end up with semi-finished products, going through the entire production process. Although the majority of the blast furnaces that existed in 1939 were destroyed by the Germans during the war (9 out of 14), the country had nonetheless not forsaken its desire to possess an independent steel industry and, with the end of hostilities, it embarked on its reconstruction. The programme that it submitted to the Organisation for European Economic Cooperation forecast a production of 3 000 000 tonnes of steel for 1951. The greater part is to be produced from ore, meaning that, there too, imports will be required.

Luxembourg itself, which has been described as a 'block of iron' since its territory is after all an extension of our Lorraine basin, needs to import French ore. The country has no coal, its iron ore is poor and it exports part of it in order to bring in ore with a richer content that requires less coke in the composition of its burden. Whilst it extracted 5 400 000 tonnes of ore in 1938, in the same year it imported 3 700 000 (2 000 000 of which from France) to produce 2 500 000 tonnes of crude steel. Given that this rose to about 3 000 000 tonnes in 1949, the scale of the needs to be satisfied is clear.

Of course some reservations can be made regarding the conclusions suggested by such figures: Germany and Luxembourg will increase imports of Swedish ore to the detriment of ours, because of its higher content; Italy will look to the Mediterranean basin for its supply because of its geographical position; the respective needs of the industries associated will not necessarily evolve closely in parallel. This is all plausible, but the contrary is no less so. The many factors that make the industries so complex today will not necessarily iron themselves out in a way that suits us.

For reasons of price, exchange, transport costs or taxation, it may happen that Sweden, for example, ceases to be one of the Community suppliers. How will the member countries react to that? Let there be no doubt: they will act together to demand from the French producers compensation for the imbalance by increasing deliveries.

To sum up, management of our deposits of ore is currently determined in relation to the problems posed by the balance of 'our' exploitations. It is up to those in charge of 'our' extractive industry, to the company directors and the public authorities, to judge whether it is better to encourage exports or to reduce them, whether to allow the steel industry a preferential selling price for supplies of ore made to it or whether our imports of metallurgical coke render a turn-around in our trade policy desirable. It is admissible, subject to errors which are always possible, for their decisions to be taken in the 'national' interest. Is it conceivable, however, that this should cease to be the case for fifty years — that is to say, for almost the entire life expectancy of our mining deposits?

They will assure us that the 'pool' is obliged to allow us, in return, to obtain the coke which is vital for supplying our steelworks. Sadly, the symmetry between the sacrifices that we may be called upon to bear and the advantages that we can expect from access to German coal is illusory.

Germany is normally an exporter of coal, and the French iron and steel industry, although it has on several occasions known some difficulties — and it still knows some serious ones — always knew before the war how to procure the coke it needed. Given that to make steel you need three times more ore than coke, and considering that the German coal deposits will allow mining for several centuries, it is clear that the risks run by our country are disproportionate when compared with those to which our neighbour is exposed.

In fact the union of interests among our associates will be such that one day they cannot fail to join together against us. A purely imaginary risk, we shall be told, for they will not have the power to impose their will. Let us pay justice to the authors of the project: having proposed to create a common market for coal and steel, they drew the logical conclusions from their premisses and made the necessary provisions in order that this market should effectively be common. Considering it unnecessary to confer upon the producers the responsibility for its operation, they awarded wide-ranging powers to the future Authority. The 'texts' clearly demonstrate this dual preoccupation.

The European Coal and Steel Community 'must progressively establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity' (Article 2). With this aim, the institutions of the Community will 'see that the common market is regularly supplied' and 'assure to all consumers in comparable positions within the common market equal access to the sources of production' (Article 3). 'The following are recognized to be incompatible with the common market [...] and are, therefore, abolished and prohibited: [...] duties [...] and quantitative restrictions on the movement of coal and steel [...] as well as measures or practices which hamper the buyer in the free choice of his supplier' (Article 4).

The functioning of the market must not therefore be hindered in any way, and the raw materials must be put at the disposal, without restriction, of associates in comparable conditions.

The good sense of the task given to the High Authority is clear; the definition of its powers is no less so.

It can facilitate the creation of investment programmes by granting loans to enterprises or by giving its guarantee to the loans which they may obtain elsewhere. It may assist by the same means in financing works

and installations which contribute to increase production, lower production costs or facilitate marketing of products subject to its jurisdiction (Article 54).

In case of a decline in demand, it may establish a system of production quotas and regulate the rate of operation of the enterprises (Article 58).

On the basis of the Authority's proposals, the Council may establish consumption priorities and determine the allocation of the resources of the Community among the industries subject to its jurisdiction, exports, and other consumption. On the basis of the consumption priorities thus determined, the Authority may establish manufacturing programmes which the enterprises shall be required to execute. It may allocate among enterprises the quantities earmarked for the industries under its jurisdiction (Article 59).

It may fix minimum and maximum prices within the common market, if it deems that such a decision is necessary to attain its objectives, as well as export prices, if such action appears necessary on account of the situation of the market (Article 61).

There are, therefore, forbidden — no doubt with reference to United States anti-trusts legislation — all agreements among enterprises, all decisions and all concerted practices, which would tend to prevent, restrict or impede the normal operation of competition, and in particular: to fix or influence prices; to restrict or control production, technical development or investments; to allocate markets, products, customers or sources of supply (Article 65).

This tedious list throws into relief the considerable powers of the future Authority, better than any comment could. Its 'subjects' — iron-ore mines, steelworks and coalmines — will all but lose control of their management in favour of an Executive Directory of stateless 'planners'.

Whether it be a matter of raw materials supply, manufacturing programmes, rate of operation of the enterprises, allocation of reserves, choice of investments or fixing of prices, all power of decision will be removed from the company directors, who are destined to become no more than superior foremen, responsible for general surveillance in their companies.

Therefore our iron and steel production industries, which do not enjoy the advantages that American industries are afforded by virtue of their degree of concentration and access to the biggest capital market in the world, must find their own way by adapting as flexibly as possible to difficulties that will recur unremittingly. The individualism of the enterprises that they are composed of is one of the essential conditions for their survival; and 'binding' their leaders in a web of prohibition or obligations which will reduce them to near impotence is not one of the least drawbacks of the system.

But there is worse; that we know already. Our ore reserves will be taken out of our hands and put into those of associates whose interests are opposed to ours, and who, if they can agree, will have the power to lay down the law. They have every interest to agree, at the very least in this area. Accordingly, as it was put 'in deliberately moderate terms' by Mr C.-J. Gignoux, 'one cannot read the Treaty without being amazed at the thoughtlessness with which the French economy has been committed to this adventure'.

Once again, our political romanticism may well cost us dearly. There will be consequences, as Ecclesiastes tells us: 'He that diggeth a pit shall fall into it.' When nothing is demanded of us, there is no excuse for exposing ourselves to the risk of sinking our irreplaceable wealth in a pit that we have rashly dug with our own hands.