

Louis Charvet, The French steel industry faces up to the 'pool' (1951)


Caption: En 1951, Louis Charvet, General Delegate of the French Steel Industry Employers' Association, offers his opinion on the Treaty establishing the European Coal and Steel Community (ECSC), and informs of his disappointment concerning the text that was negotiated.

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The French steel industry faces up to the ‘pool’

By Mr Louis Charvet

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Mr Robert Schuman’s proposal came as a breath of fresh air in the oppressive atmosphere of a year ago. Exhausted as we were by the work of reconstruction and increasingly alarmed at the signs of another economic crisis looming, the news suddenly distracted us from our everyday concerns, opening up new vistas. Here was a glimpse of blue in an otherwise overcast sky, with the conflict in Korea darkening the horizon still further. Old Europe picked itself up, its eyes on the way ahead and with new hope of regaining its former vitality.

The French steel industry immediately joined in the enthusiastic response which greeted the proposal. No doubt, being directly concerned, it was keen to demonstrate its interest in the practical details of pooling coal and steel. But the industry put its trust in the overall spirit of the proposal and the objectives underpinning it, concluding that although the sudden creation of a single market for steel in western Europe would demand further efforts on its part, after all the hard work of reconstruction, it would nevertheless be on firm ground with no cause for alarm.

In this respect the provisions of the future treaty seemed particularly important for the industry, which was aware that its position made it particularly vulnerable to any shortcomings in the agreement and that, if the terms of the treaty did not fully reflect the tenor of President Schuman’s original statement, the industry could easily be thrown off balance.

The single coal and steel market will in due course straddle six countries with different forms of economic organisation and different conditions of production. Each has its own pay structure, its own welfare and social security system, its own fiscal traditions and budget priorities. A coal and steel pool does not even encompass all the elements required for steel production, as national contingencies will still affect many of the raw materials essential to producing a complete batch in a steel works. The price of electricity, diesel fuel and even transport will be outside the remit of the community, as will certain by-products which have a significant impact on the overall cost of operating a coke or blast-furnace. Lastly, the pool itself will not be able to align relations between the coal mines and the steel industry. Nationalisation of France’s coalfields has cut its steel works off from the mines that supply their fuel. Elsewhere, in contrast, mines and steel works are already or will soon be integrated, in one way or another, in a single, vertical organisation. All these disparities will have to be ironed out before equal and healthy competition can develop in a single market, in such a way that the points go to those who do the best work, rather than being due to such disparities or to any arbitrary advantage attributable to variations in the value of the six nations’ currencies.

Of all the products covered by the pool, French steel was perhaps the one that most needed these conditions to be fulfilled. The main centres of steel production in France are located close to its borders. Luxembourg’s steel industry is just across the frontier from its Lorraine counterpart. Similarly, Belgian steel works are only a few kilometres from their counterparts in northern France. Most French works lack access to the sea or major inland waterways, preventing the arrival of supplies from distant parts or the dispatch of finished products on competitive terms. Lorraine is a long way inland, without a direct connection to the great north-south waterway formed by the Rhine, the major thoroughfare for trade across northwest Europe. Similarly, the steel works of northern France lack the proximity of the ocean gateway framed by Antwerp and Rotterdam. Admittedly, many of France’s steel works are close to valuable sources of iron ore. But generally speaking they are badly placed for finer quality ore from Sweden or elsewhere, and France has only limited reserves of its own.

The French steel industry was aware of the risks it would run in a single market in which no attempt would be made to harmonise the fundamental factors determining cost prices, ex-works or delivered, between individual countries. But it was confident that negotiations would set rules for the pool such that the single market, within the limits laid down in the statement by Mr Robert Schuman, would not add further random

factors to its geographical handicaps. It was also counting on the success it was enjoying in foreign markets, at the time of the statement, to hold its own in the fair contest it was about to join.

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It was certainly a difficult predicament, as it was necessary to wait till the treaty, successive versions of which remained confidential for a long time, had taken shape, before determining the extent to which the problem had been solved.

One need only read the texts to see that in the end the experts and Ministers abandoned any attempt to harmonise the conditions of competition within the single market. In each of the six countries wages, social security costs, taxes, the prices of various materials, of diesel fuel and electricity, and exchange rates will all stay as they are and in general none of the disparities between will be offset. Indeed, they will be free to vary over the 50-year period during which the treaty will be in force, and in this respect Article 67 merely offers governments the option of granting subsidies or makes recommendations the scope of which is far from clear. Rectifying all these disparities would certainly have involved extremely detailed investigation of companies' running costs. But that would not have stopped the experts because Article 47 of the treaty sets no limit on the inquiries that the High Authority may carry out, backed by the severest sanctions or penalties. The experts and Ministers very probably gave up the struggle to make these offsets perfectly fair, given the difficulty of the task, and, if that was their reason for acting as they did, we can hardly blame them.

An alternative solution could have been adopted, based on a contractual arrangement. It could have taken the form of understandings overseen by the High Authority, with, if need be, producers being invited to take part. If producers failed to reach a fair settlement amongst themselves, it would even have been conceivable, as a last resort, to authorise the High Authority to frame an agreement with the Council, which represents governments in the pool's administrative bodies. Flexible, practical arrangements could thus have been worked out, enabling the single market to operate normally, particularly as manufacturers share a common concern to eliminate from their forecasting process the non-industrial random factors inherent in such disparities, which are by their very nature variable in significance and importance. This solution was deliberately sidelined.

Having dealt with these two options, the experts could see only one way out of the situation they had created. They invested the High Authority with far-reaching powers, making it the only body capable of regulating the common market. They raised it above the other bodies in the community, so that ultimately all the Assembly can do is disband it by a two-thirds majority vote, and all the Council can do is empower it, on its own recommendation, to set rules that are totally at odds with free competition and even with controlled competition. Henceforth, the fate of each of the companies that falls within the remit of the community will depend on this as yet unknown collegiate body. To ensure it really has a free hand, the experts have added financial powers to its battery of regulatory powers, the latter perfected through years of wartime and shortages. The two forms of power are bound to be confused and, in combination with the Authority's exceptional powers of control over investments, they may enable it to shape the future of companies as it sees fit, in much the same way as it will be allowed to determine many of the conditions under which they operate.

However, despite the High Authority having power to exercise extremely strict control in circumstances it defines as periods of shortage or recession, those powers do not enable it to enforce fair competition, which even according to the experts should be the normal state of affairs for firms in the pool. To do so would suppose that the competitive position of each player does not depend, as its productivity and geographical situation do, on fluctuating, sometimes arbitrary factors which in any case vary from one country to another, as is still the case for the factors we have cited.

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Are we then to conclude, as André Istel did in *Le Monde*, that we are putting the cart before the horse in

trying to prepare for political federation in Europe through economic union, leading us into a dead end? The question is so vast that we can only touch on it in passing, but what is all too clear from the texts is that they do not deliver on the promises that seemed implicit in Mr Schuman's original proposal. This is not the instrument of economic liberation we expected. Nor is it the means to achieve concord between nations for which we hoped.

Because of the method adopted by the experts, the treaty constitutes, and consolidates for 50 years, the full gamut of state controls that we used to think were only applicable under exceptional circumstances or an integral part of doctrines that certainly do not appeal to people with open minds. The code of conduct exists, regardless of how the pool's institutions may use it. It has already been confirmed by the official signature of six nations and is due to be submitted to six, or perhaps seven, parliaments for ratification. If it is ratified as it stands, without the amendments that should be made after due consideration, it will constitute an enduring benchmark for all future attempts to apply authoritarian control to markets. It will lend itself to all those who seek a precedent or parallel for the measures they are advocating in order to restrict freedom of enterprise.

What is more, the code of conduct being the only means available to community bodies to correct competition that is flawed from the outset (or more exactly to try to prevent the worst consequences of such flaws), there will be plenty of opportunity for applying it. Every time it happens, there will be some debate. But these discussions will be neither technical nor industrial in content, they will be political. Debate will be openly political when the Council needs to be consulted and all the more so when a majority decision is required. It will be indirectly so when the High Authority, to which each country will, in one way or another, send an accredited representative, has to take an initiative or make a decision. Industrial or commercial endeavours will not be at issue, nor will economic concepts: it will be a face-off between governmental positions. There has been a failure to face up to the tough, lengthy discussions needed for any serious attempt to bring about the political integration of Europe. In its place we have seen an attempt to build Europe at an economic level. All it has done is render even economic debate political.

Such, in a few words, is the state of mind of France's steel industry. It is sad to have to express these views, but we feel it is our duty to do so.