

Pierre van der Rest, Belgian industry and the Schuman Plan (September–October 1951)


Caption: In its September–October 1951 edition, the Revue Franco–Belge, official mouthpiece of the Belgian Chamber of Commerce in Paris, publishes an article by Pierre van der Rest, chief representative of the Steelworkers’ Committee, which analyses the socio-economic impact of the Schuman Plan on industry in Belgium.

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Belgian industry and the Schuman plan

by Pierre van der Rest,

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As a complement to the article by Mr Max Suetens, Ambassador Extraordinary and Plenipotentiary, we are publishing the article below, which clearly states Belgian industry's position with respect to the Schuman plan.

We are very grateful to the author and the Federation of Belgian Industries for allowing us to reproduce this text for our readers.

In a memorable statement on 9 May 1950 Mr Schuman, the French Minister of Foreign Affairs, proposed bringing the whole of French-German coal and steel production together under a joint, supranational authority, opening the pool to other European countries.

This revolutionary proposal caused quite a stir among European governments, and also in the economic and industrial sectors concerned. For Belgium it raised particularly sensitive, complex issues.

The goals of the plan

In his initial statement Mr Schuman clearly defined the scope of his proposal. France was primarily concerned with political goals, backed by economic and social considerations.

In political terms, the aim was to prevent any form of armed conflict between France and Germany by pooling the basic industrial output of both countries. At the same time, by establishing an authority and joint institutions, the plan sought to lay the first practical foundations of the European federation that is essential for lasting peace.

In economic terms, the creation of a huge, competitive market in which the products of the coal and steel industries — the basis of all industrial activity — would circulate without any obstacle or discrimination must also be, according to the plan's French advocates, the best way of effectively engaging in the economic integration of Europe, without which closer political ties would quite clearly be doomed to failure.

The existence of this single market would make it possible for all consumers to obtain essential raw materials on equal terms, encourage the sensible development of resources and stimulate the growth and modernisation of production.

In social terms, the goal was to harmonise and improve workers' living standards and working conditions.

Such fundamental goals were bound to be well received, at least in all western European countries. Germany, Italy, the Netherlands, Belgium and Luxembourg promptly informed the French Foreign Ministry that they were considering opening negotiations on this basis. The United Kingdom postponed its decision and restricted itself to observing the proceedings.

Belgian fears

In Belgium, however, there was an awareness that implementing this programme, which was certainly appealing in theory, would entail serious practical difficulties and could have more serious consequences for our country than for other western European nations.

This is primarily because, of all the future members – except Luxembourg, which is a special case – Belgium is the country where coal and steel production accounts for the largest share of the nation's economy overall.

Taken together, coal and steel production amounts to roughly 15 % of gross national product in Belgium, 9 % in Germany, 5.8 % in France, 4.4 % in Italy and 3.8 % in the Netherlands. The consequences of a loss of sovereignty over coal and steel could therefore be much more serious for Belgium, particularly as it is a small country compared to France, Germany or Italy and would thus be likely to enjoy only limited influence over the joint institutions.

Furthermore, the various countries to which France presented its project hold very different economic views. Since its Liberation, Belgium has adopted much more liberal policies than its neighbours. Establishing a common market might well drag Belgium into a system of much stricter central control, contrary to its wishes and its fundamental needs.

In his initial statement Mr Schuman emphasised the need for a transition period. Thanks to the introduction of special mechanisms, such as price equalisation, this would be a time for harmonising extremely disparate production conditions and reducing the imbalances in the economies of the various member states.

The various forms of disparity and imbalance in the conditions of production are particularly apparent in Belgium, where they act to its disadvantage. Since 1944 we have seen an overall increase in the level of wages, far exceeding gains in neighbouring countries. These factors affect the Belgian steel industry but exert an even greater influence on coal. In that industry, the imbalance caused by production conditions in general is compounded by the delay in rationalising operations and investing in new equipment, due to the circumstances in the coal industry after the Liberation. It is also handicapped by the actual coalfields, where natural conditions are the most unfavourable on the Continent.

In these circumstances, establishing the single market for coal and steel too hastily and without adequate precautions could have led to a degree of upheaval that the Belgian economy as a whole could not have withstood.

Birth of the community

The talks between the representatives of the six member countries nevertheless started on 20 June 1950 on the overall basis proposed by Mr Schuman. After 10 months of negotiations, they led to the treaty establishing the European Coal and Steel Community, which was signed in Paris on 18 April 1951 and will shortly be submitted to the various parliaments for approval.

At the same time as the treaty establishing the Community institutions and setting the rules for the operation of the single market, once it was fully established, a convention was signed in Paris on the special provisions for the transition period.

It is only natural to ask how much allowance these documents make for the special position of Belgium, and to what extent it supplies the guarantees Belgium must have for the safeguarding of its economy.

The treaty provides for four joint bodies:

1° The High Authority, which is the supranational body responsible for implementing the provisions of the treaty;

2° The Assembly, which is an offshoot of the parliaments of the six countries, tasked with supervising the work of the High Authority, with the power to demand the resignation of its members if the Assembly fails to approve the annual report submitted by the Authority by a sufficiently large majority;

3° The Court, which is the only appeal authority for all matters and disputes falling within the remit of the treaty;

4° The Council, which consists of representatives of the governments of each of the six member states and

serves as a link between governments and the High Authority. In particular the Council enjoys certain powers over the Authority regarding all matters that may affect the economy of member states.

All matters relating to the composition of the High Authority and the procedure for appointing its members, the composition and voting procedures of the Assembly and the voting procedures and workings of the Council were expressly set aside for the final negotiations between the foreign ministers of the six countries.

Their discussions, albeit extremely laborious, nevertheless yielded largely satisfactory solutions. They certainly do not wholly eliminate any risk of the larger countries dictating their will to their smaller partners, but the solutions do provide as many guarantees as could reasonably be expected.

It is difficult to be equally enthusiastic about the economic provisions of the treaty. Here, much greater caution is required, because we are working at a new level which has not been the focus of international concerns for a long time. Belgium has given up part of its sovereignty with respect to matters that closely affect private economic and industrial interests, an area into which even its own government has only ventured with extreme caution, upholding the principle of freedom that our country cherishes.

The economic basis of the plan

The system established by the treaty may be summarised as follows: a comprehensive, single market; the removal of customs barriers; free access to raw materials; and a ban on discriminatory measures or practices between producers and consumers. It is, however, immediately apparent, particularly for basic goods such as coal and steel, that a system of this sort based on all-out competition can go too far.

Intervention may prove necessary but, under the provisions of the treaty, only the High Authority may take such measures. Agreements or understandings between companies are not allowed. There is no ban on trade organisations or groups of producers, but they are restricted to a purely advisory, executive role. Furthermore, to gain recognition as such, they must fulfil certain conditions; in particular, they must grant the representatives of workers and consumers a proper say on their boards or advisory committees.

Pursuant to these principles, the High Authority has been invested with far-reaching powers in areas of fundamental importance for a company's operations. In most cases there is no scope for appeal to the Court against decisions by the Authority, except to demand that a decision be declared void on grounds of lack of competence, error in procedure or misuse of its powers. In its rulings the Court cannot take into account the results of the economic events or circumstances on which the Authority based its decisions.

With respect to investment, for instance, the High Authority can demand details of all individual programmes and publish its findings, justifying the conclusions. Its decisions are only binding if the investment concerned requires government grants, protective measures or subsidies. But it should be clear that in most cases it will be very difficult to go against an adverse opinion on the part of the Authority. An investment programme that fails to obtain the Authority's approval will stand little chance of raising funds on the money markets.

What makes the real power of the High Authority in this respect still greater is the fact that, if it issues a favourable opinion, it can facilitate investment through loans or by guaranteeing borrowing by companies. This seems a dangerous provision, which did not seem essential to achieving the plan's objectives. It may give rise to arbitrary decisions, abuse or favouritism.

With regard to prices, the Authority is required not only to eliminate discriminatory or unfair practices by monitoring the procedure for setting price scales and terms of sale, but also – if it considers it essential to achieving the basic goals of the plan – to set upper and lower limits on certain prices.

As regards production itself, it can, in partnership with the Council, set production quotas at times of manifest crisis, lay down rules for the distribution of resources and impose production schedules on companies when there are shortages.

The scope of these powers is widened by very strict rules on understandings between companies and on economic concentrations. As a matter of principle, there is a ban on any agreement between companies designed to fix prices, limit production or share out contracts and sources of supply. Only temporary agreements are allowed, for the purposes of specialised production, or joint purchases or sales, on condition that an agreement significantly improves the conditions of production and distribution, that the restrictions in the agreement go no further than specifically necessary, and that it does not enable the companies concerned to avoid proper competition with other companies in the common market.

The ban also extends to operations concerning at least one company subject to the Authority's jurisdiction which are, without prior approval from the Authority, designed to achieve economic concentration, involving mergers or the acquisition of holdings. Moreover, any infringement of the various rules incurs heavy fines. It is quite clear where such provisions may lead.

A few shortcomings

Companies now enjoy very limited initiative and responsibility, whereas decision-making powers have been vested in the High Authority. We see two risks in this system: on the one hand, it may lock companies in their current state of development; on the other, it may stifle private initiative with pointless, ineffective administrative paperwork. For basic products such as coal and steel the notion of normal conditions barely exists. There are major fluctuations but few slack periods, a state of affairs that may lead to almost constant intervention by the Authority and a tendency towards central control, contrary to the proclaimed principles of free competition.

There is also the risk that this system may be inefficient. Considering the importance of the decisions to be taken by the High Authority, it has to follow a very laborious procedure involving many consultations, particularly of the Advisory Committee and the Council. There is every reason to fear that when faced with specific problems, the Authority may act too late or not at all.

Without in any way wishing to restore a cartel system with no restrictions or controls, it should have been possible to set up a more flexible, efficient system with greater scope for the companies and associations of companies to display initiative and responsibility, while giving the High Authority real powers of supervision and control, as well as the capacity to act in the event of failure to act by interested parties, thus achieving the basic goals of the plan.

One such goal is to promote more even progress in improving living standards and working conditions for the workforce of the industries covered by the plan. This is particularly important for Belgium, because the current differences in wages and social security costs are a major disadvantage in this country. But it has to be admitted that the treaty makes no mention of how such harmonisation, vital though it is, should actually be achieved.

The agreement on special arrangements for the transition period contains temporary provisions intended to prevent economic upheaval in member states. If, however, at the end of the transition period, existing disparities have not been ironed out, the previous guarantees will be removed, so there is a risk that dangerous upheavals may yet occur.

The transition period

Special provisions have been made for Belgian coal. During the transition period, which will last five years but may be extended twice, each time by one year, the Belgian government is authorised to isolate our coal from the common market. In view of the overall level of coal output in the common market, the actual cut in output that the Belgian coal industry may have to undergo cannot exceed 3 % per year. In preparation for integrating Belgian coal in the common market at the end of the transition period, an equalisation system will be set up, with the Belgian government providing half the funding and the other half contributed by the most productive coal industries in the pool, in other words, primarily pits in Germany and, to a lesser extent,

pits in the Netherlands.

The equalisation system will serve three purposes. First, it should immediately bring the price of coal from all Belgian pits into line with the production costs it is hoped to achieve by the end of the transition period, following rationalisation and modernisation of the facilities. Secondly, it should reduce by 80 % the difference between the price of Belgian coal and prices inside the common market for deliveries of Belgian coal to other countries in the pool.

Lastly, the equalisation system should, in so far as the High Authority considers it necessary, enable an additional cut to be made in the price of Belgian coal consumed by the national steel industry, with a view to integrating the latter in the single market. However, under no circumstances may the price of Belgian coal intended for the local steel industry be lower than the price of German coal imported into Belgium. Although Belgian steel must join the common market immediately, the third part of the equalisation system is conditional, and Belgium's steel industry consequently has no assurance, despite the handicaps it suffers, particularly in terms of wages, of being able to obtain the coal it needs at common market prices.

The arrangements for the transition period do have the merit of recognising the existence of a Belgian problem and seeking to solve it. It remains to be seen whether the proposed measures will be sufficient to prevent the disappearance of a large part of our coal industry by the end of the transition period. In the meantime, the drive to rationalise and refit our pits must continue so that by the end of the five- or seven-year period, during which Belgium will enjoy special conditions, our mines will have improved their competitive edge.

Towards greater integration

On the whole, the Schuman Plan, which is a new experiment on a grand scale, seems a compromise undertaking. The summary above may give the impression that Belgium has succeeded in obtaining fairly substantial guarantees, but they are incomplete. This was only to be expected, given the diversity of views in the countries concerned.

It should be pointed out, however, that the ECSC is only the first step and is restricted to two primary industries. Yet all forms of economic activity are dependent on each other. In the long run it will not be possible to restrict the single market to just coal and steel, without maintaining artificial mechanisms which will prove unsustainable. One of the key factors in ensuring the plan's ultimate success is the extent to which it can be extended to other economic sectors, as a means of quickly achieving full integration of the economies of the countries involved.

The day after the signing of the treaty, our Foreign Minister, Mr van Zeeland, spoke of a leap into the unknown. The leap is perhaps greater than was necessary, because the risks and perils posed by some of the treaty's provisions could have been avoided. This does not necessarily mean that those risks will materialise, more that a great deal will depend on the wisdom, cool-headedness and foresight of the people whose task it will be to implement the plan, in other words, primarily the members of the High Authority.