

‘Schuman Plan progress’ from The Manchester Guardian (19, 21 and 22 February 1951)

Caption: On 19, 21 and 22 February 1951, the British daily newspaper The Manchester Guardian comments on the state of negotiations between the Six on the Schuman Plan, focusing particularly on how the future European Coal and Steel Community will work and the implications of the coal and steel pool for German industry.

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Schuman Plan progress

I—European Institutions

By our special correspondent

PARIS, FEBRUARY.

The Schuman conference in Paris is approaching a successful conclusion. And yet there is more confusion and pessimism about the coal and steel plan now than at any time since M. Schuman's offer last May. The very success of the conference on a technical level has brought the difficulties into the open—the difficulties, for instance, of Belgium's coalmines, or the differences of interest between the industrialists and the treaty negotiators, or, still more important, between France and Germany. Yet the pessimism is excessive. Many demands that were bargaining points have been taken for last-ditch defences.

It is clear that the plan negotiations will eventually be worked out on at least two levels; one, the technical, in Paris, is constantly undermined by events on the other, the political, in half the capitals of Western Europe. A good example of this development is the attitude of the steelowners. The failure of the Paris negotiators in the later stages of their talks to be impressed by the steelowners' views has earned the draft treaty the latter's public enmity. In July, 1950, the "Monde" published a long report on the French steelowners' views on the Schuman Plan. They were very favourable, though with a warning note on the "arbitrariness" of the High Authority. By the end of January this had become a full-scale public denunciation of the "super-socialist . . . totalitarian" character of the High Authority, which would be a board of "irresponsible" experts. The industrialists' real complaint is that the producers' organisation is "no longer to be permitted except as an organ of consultation or as a transmitting belt at the disposal of the High Authority."

It is well to remember that the French and others are as strongly against the treaty's decartelisation measures as the Germans. This might be overlooked because the major problem of the plan has become German industry's position in the common market. Since the Korean crisis began Germany's independence has so grown that the struggle between the French and Germans for economic guarantees threatens the ratification of the treaty in the national Parliaments. That it will be initialled and even signed by the Governments is almost certain. That it will be ratified is still an open question.

CHANGED CONCEPTION

The treaty round which all this argument is raging is still not properly known to the public. But there is sufficient of it available to show that it is considerably different from the original conception. What now emerges is a triangular structure with, formally, a fourth prop that may or may not prove effective. The High Authority will be a board of experts—the latest figure is six to nine. It will supervise prices in a negative manner: that is, by preventing double pricing, by ensuring that coal or steel prices are in reasonable relation to the particular producer's costs, and by the use of powers to prevent combination for sharing markets or restricting output.

It disposes of large financial resources to be used in three categories: the first by an equalisation fund to be raised by a tax of 1.5 per cent on every ton of coal or steel; the second from a tax of 1 per cent on total production to cover the authority's administrative costs, for a compensation fund to help firms threatened with closure to re-equip and reorganise, and for a fund to back the High Authority's credits to firms which need them and whose purposes are approved; and the third an investment fund to be raised by loans. It is almost certain that the United States will, through E.C.A., back the authority's finances. Since investments cannot under the treaty's clauses be made in the shape of Government subsidies to national industry, and as the authority has wide powers "of information" enabling it to examine accounts and agreements between producers or even consumers and unions, the authority's influence to "persuade" will be very great. But it cannot give orders (except within strictly defined limits) or direct the industries under its control like the board of a nationalised industry. Its powers are only designed, according to an official, to ensure

"competition in normal times, and public direction of the economy and not a cartel direction in times of crisis."

COUNCIL OF MINISTERS

In times of crisis, of boom and slump, as generally with decisions affecting the economy of a country as a whole, the Council of Ministers—consisting of the Economics Ministers of the member States—intervenes. Thus the allocation of raw materials in time of scarcity would involve the council, and in such periods the High Authority would act officially as its partner, and in effect probably as its agent. But the council (unlike its high-handed brother at Strasbourg) cannot take decisions without the authority's assent. It interferes only in specific cases, such as the fixing of tariff rates for the Schuman block when trading with the rest of the world. (Tariffs would be based on the rates charged by the most "liberal" of the member countries, with due allowance for differences caused by transport costs.)

The check on the authority in "normal times" would come from a third body, the court of seven judges appointed by the Governments. The powers and jurisdiction of the court seem far-reaching but vague. In principle it would act as a court of appeal for States or private firms against the authority's decisions, abuse of powers, or failure to use its powers when required. It is difficult to see at present whether it will become a judicial or arbitration machinery.

The fourth organ would be a representative Common Assembly. About its representativeness even some of the treaty delegations have doubts. Its only known function would be to act as a shareholders' meeting, the shareholders being thirty to fifty in number elected by and from the member Parliaments with power to examine the authority's annual report. Should its vote on the report be unfavourable the authority would have to resign and be replaced by a new board.

Two other bodies or groups of bodies deserve mention. The first is the Consultative Committee, in which fifteen employers, fifteen consumers, and fifteen union representatives would sit. Its job would be to advise the High Authority. The second are the regional associations of employers which are permitted by the treaty but in a very limited form. They would have to be registered with the High Authority, furnish all accounts and information, and on the boards the unions would be represented. This, complain the industrialists, makes the associations nothing but executive boards of the High Authority.

Such, briefly, are the institutions envisaged in the treaty. One thing about them is immediately clear. They do not constitute and are not meant to constitute a means of forcing Europe's production at the behest of an all-powerful technical board. The careful division of powers, in the best philosophic traditions of Montesquieu and the American Constitution, between the different partners in the treaty organisation ensures only that the large single market's advantages—a large free trading area, a large population, wide chances for specialisation, the discouragement of the inefficient and conservative producer—will be allowed as full play as possible.

Schuman Plan progress

II—Conflicts of Interest

By our Special Correspondent

BRUSSELS, FEBRUARY.

Superficially there are institutional weaknesses in the Schuman Plan. Courts of appeal are not normally

known for vertiginous speed of decision. In an economic crisis, when the Schuman Court is most likely to be of use, rapid and delicate decisions are needed. When a Government—or, in the plan, the High Authority—takes economic decisions it usually does so late. If then a lengthy quarrel takes place between the authority and, say, a member State, it could in extreme cases make all the difference between a satisfactory and a disastrous decision. Would the system be too slow?

The Common Assembly, too, is an institution open to criticism; it is constituted on the analogy of a shareholders' meeting. But when shareholders vote—and it is confidence votes on an annual report of the High Authority which are involved—they have the interests of their business at heart. It is quite conceivable that a party-coloured gathering of "representative" politicians would not.

There are deeper difficulties. For instance, it has been found impossible to level wage structures in coal and steel between all the member countries. The upheavals involved in reaching a common level, say, between Belgium and Holland and Germany would be too great to be accomplished in any short period. For if miners' and foundrymen's wages went up so, the Germans argue, would other wages and Germany would be faced with another inflation. The same applies to geographical differences. All the parties recognise that Belgium cannot abandon her coalmines—nationalism apart, she needs all she can get, expensive or not, in times of shortage—but nothing can make the coal seams in the Borinage as easy or as cheap to work as those in the Ruhr. Wage and geographical structures account for most of the differences between Europe's industries, and their resistance to change is extremely stubborn. As Dr Hallstein has put it, the slow adaptation of the various national economies to a single market cannot be achieved through the Schuman Plan alone. A wider range of agreements, covering transport (as the plan provides), agricultural marketing (as suggested by the French Minister of Agriculture), and gradually all other aspects of the national economies, must be made. Many experts consider that either the Schuman Plan leads to European unity or it fails. It is a tall order.

BELGIAN COAL

The case of Belgium's coal illustrates the difficulties. It is the most expensive in Europe, perhaps in the world. Roughly speaking, a ton of coal costs to produce (with labour costs in brackets) in Belgian francs: 700 (430) in Belgium; 500 (295) in France; 425 (192) in Germany; 370 (150) in Holland. These disparities represent in part higher wages and social insurance charges in Belgium compared with her neighbours since 1945; out-of-date equipment (which affects labour costs in proportion to the time taken to extract the coal); and the poor seams. Modern equipment could at the most affect only 15 to 20 per cent of these costs. It has been shown that if the most expensive half of the Belgian mines were closed the remaining production would still cost 600 Belgian francs a ton.

The problem of Belgian coal would have to be faced with or without the formation of a single market. But the Belgian experts recognise that in the most favourable circumstances—that is, if the re-equipment of the mines were successful; if some of the most inefficient producers were eliminated and production concentrated in the more profitable mines; and if German labour costs were raised to the Belgian level—Belgian costs in 1954 would still be over 600 Belgian francs a ton to 400 francs in Germany. If German wage levels remained as they are, German costs (with rising productivity) would be as low as 340 Belgian francs per ton. The great gap would remain.

The Schuman Plan solution is to finance Belgian coal production from the "common fund" for five years in a decreasing scale to the same extent that the Belgian Government itself finances the industry's re-equipment and reorganisation. At the same time a very limited number of pits would be closed; and each year Belgian production would drop by a million tons from its present level of 28 till it reached 23 million tons. A second Schuman fund would ensure that Belgian steel received its coke supplies at a competitive price.

This in itself raises a host of problems. In Belgium the coal producers are hostile—the change will cost money. No unemployment should be caused, as the number of miners in Belgium is tending to fall and recruitment has ceased; nevertheless there could be difficulties in transferring labour from bad pits. Since in effect it is Germany which will pay most of the compensation to Belgium through the common fund it was a

ticklish business to find a figure acceptable to both parties. And the Belgians know that the problem cannot be settled in that time. They want " a review " of the situation after the " transition period " of five years and if possible an extension of three years of protection.

Italian steel presents a similar problem on a much smaller scale. And the agricultural market foreshadowed by the French would repeat it again. It would cover wine, cereals, sugar, and milk products. But what Italy's wine industry, for instance, gained the French would probably lose. To-day one of the main obstacles to the Benelux economic union is the disparity between the Dutch and Belgian prices for milk products; and a Franco-Dutch commercial treaty is being held up for like reasons.

THE LABOUR ATTITUDE

The force of these national and social reactions is significantly reflected in the attitude of the trade unions and Socialist parties which theoretically react in concert, as far as they can, on international problems; they have been divided over the Schuman Plan. The French (other than the Communists), sharing the political preoccupations of their Government, have not emphasised the economic aspects as much, for instance, as the British, who immediately last May began to embroider a theme of " dictatorship " and " cartels " and have gone silent on the sidelines since. The Belgians, realising the need for reform in the mines, are in favour of the plan, like the Dutch, whom economically it does not vitally affect. The German unions, like the German employers, insist on the political conditions of Germany's joining the plan.

Yet the problems of economic adaptation are generally regarded as "secondary " and " technical. " They do not threaten the plan. Broadly all the smaller countries have much to gain from it and a lot to fear if they are excluded. In Belgium the consumer industries—especially chemicals, pottery, and steel—are eager to have cheaper coal. Italy (now it is agreed her supplies of North African ore are to be guaranteed by a trade treaty outside the plan), Holland, and Luxembourg are glad to have a wider market. France feels strong enough economically—her steel is competitive and in the mines productivity is rising steadily—to face the single market's implications as long as certain conditions of organisation in Germany are observed. There's the rub. For in Germany present politics, which have been largely eliminated in the discussions on the "technical " problems, interfere at every stage. It is over Germany that the plan succeeds or fails.

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III—Germany's Conditions

By our Special Correspondent

DÜSSELDORF, FEBRUARY.

What caught the German imagination in the Schuman Plan—and it was received at first with great enthusiasm—was the dream of federation and the promise of "equal treatment. " This the Germans interpreted as the elimination of Allied controls over their industry, the end of the International Ruhr Authority, perhaps even the dropping of schemes for reorganising the great industrial concentrations. The German coal industry thought it well in the period of surplus production that seemed to be approaching to gain a guaranteed market in Europe, and even the sceptics in steel declared themselves "favourable" (in principle). Much, it was also hoped in a rather vague way, would come of M. Schuman's suggestion that the African market should be opened to all the members of the plan.

But eight months later it seems that the Ruhr Authority is not immediately to be swept away; the reorganisation of industrial concentrations is in full swing, industrial controls remain; most of the steel

industry is furious about the decartelisation and deconcentration articles (60 and 61) of the treaty; the fear of a coal surplus has disappeared; and the opening of the French African market, which conjured up visions of endless expansion, has turned out to be rather secondary.

While reality has grated away the enchanted optimism, German interest in the plan has been profoundly changed by the Korean crisis and by rearmament. Though it still commands widespread political support, economically Germany has nothing to gain from it and the industrialists have freedom to lose. Yet few people—in Germany and out of it—doubt that in the end the German economy could dominate the Schuman Union. So there are two tendencies in German opinion : the one, opposed to the plan altogether, the other ready to join, but on terms which are higher than probably they would have been without the Korean crisis. The two are often combined in a single person's thinking, and where they are not, considerations of internal politics (with the Socialists especially), the changing influence of the United States (at one time with its rearmament schemes unwittingly dangerous to the plan, now heavily behind it), and the attitude of the French—all may affect their relative weight. So far one can only say that in the circumstances the Federal Government has been as co-operative as it could be.

FORM AT ENTRY

Articles 60 and 61 of the Schuman Plan provide that no concentration of ownership or producers' agreements will be countenanced without the approval of the High Authority once the treaty is settled. The form in which German industry enters the union is therefore vital; and the crucial negotiations are now the talks between the Allied High Commissioners and the Federal Government in Bonn on the deconcentration and decentralisation of Germany's heavy industry. These matters should have been settled long ago, and formally there is no connection between them and the Schuman negotiations. But no one pays much attention to this particular formality, least of all the Germans, and their attitude to both sets of talks has been remarkably uniform.

The basis of the German demands is contained in a letter sent on January 6 by Herr August Schmidt, the miners' leader, to Dr Adenauer. In it he said that unless four points were satisfactorily settled the unions would withdraw their support from the plan.

The first related to "Verbundswirtschaft," which is the system of common ownership of coalmine and blast-furnace by one company. If 25 per cent at least of coal production were not owned by steel, the Germans argue—before the war the proportion was about 55 per cent,—it would simply be uneconomic. Industrialists claim that independent coalmines tend to add a certain amount of water to metallurgical coke—which is porous—to increase its weight with a deleterious effect on the final steel product. (The Allied High Commissions treat the value of this claim with scepticism.)

The second referred to the "Deutsche Kohlenverkauf" — the German coal-selling agency. It is denied that the D.K.V. is a concealed cartel. The reason for maintaining it in fact is that there is a great range of profitability, and in difficult times the less profitable mines would be wrecked without the sales organisation. It is the condition the Germans have clung on to most tenaciously.

The third point of Schmidt's letter referred to the Belgian mines, stating the German case for paying a minimum amount of compensation in the transition period to Belgium; and the fourth to the excessive powers of the High Authority; but both of these, on the governmental level at least, seem to have been settled. A fifth point not mentioned by Schmidt, whether the International Ruhr Authority should be abolished before (the German view) or after (the French view) the High Authority begins to work, has been left in abeyance. Its solution depends in part, of course, upon the United Kingdom and the United States.

FRENCH CONCERN

The French for their part recognise the necessity for a minimum of "Verbundswirtschaft" and the importance of the D.K.V. But they are determined on two points: that the High Authority shall have real powers to prevent private cartels and excessive concentration of ownership; and that Germany's coal

supplies shall not be used as a power lever by the Federal Republic. This matter of coal is central to the negotiations. France needs German metallurgical coke in a way that Germany does not need Lorraine's ore. There is no alternative supplier (except possibly Britain). The French and Saar steel industries will already this year be hit by a lack of German coke. This dependence explains both the French insistence on a decentralisation of the D.K.V. (in the same way that the coal sales organisations of French nationalised coal are decentralised) and on a minimum of "Verbundwirtschaft"—they seem to accept a figure round about 25 per cent. For the D.K.V. could exert enormous pressure as the single big coal exporting agency in the Schuman Union; and Verbundwirtschaft means that the High Authority in effect loses all control of the distribution of the proportion of coal so subordinated to the Ruhr's steel.

The Allied High Commissions and the Federal Government are working, it seems, on a compromise. But the political situation has become so complex in the process of negotiation that it is impossible to tell in what direction the cat is going to jump. The lobbying, the pressure from interested groups, the national differences have all been intense; and it has long since ceased to be a secret that over Germany the American support of the French has weighed heavily, probably decisively, in the balance. Whatever the Governments think—and they seem to have acted with great, even surprising, sincerity of purpose throughout—there is no guarantee especially in Germany that their acceptance of the treaty will be followed by their Parliaments' acceptance.

Yet, when allowance is made for the turmoil that accompanies "revolutionary proposals" (as M. Schuman's are monotonously often called) it seems that the future of the plan can be viewed with a certain amount of reasonable optimism.