Report on coal and steel

by BRIAN J. FORD

The Editor reports on his recent fact-finding tour of the Common Market in a series of monthly articles. The first in the series considers the future of coal and steel.

THE EUROPEAN Coal and Steel Community (ECSC) set up in 1952, was the pioneer of European integration. It applied the Community method to the coal and steel industries as a first step towards integration of the economy as a whole. It established the first European common market by abolishing price and transport discrimination, and eliminating customs duties, quota restrictions and other trade barriers across the 1,700 miles of land frontier within the six-nation area. To ensure fair competition, it enforced the first European anti-trust policy. It applies an industrial policy for coal and steel, and, together with the Common Market and Euratom Commissions, the ECSC High Authority has pressed for the co-ordination of policy for all forms of energy.

The activities of the High Authority are financed by a direct levy on the value of coal and steel production in the Community. The rate of levy is fixed by the High Authority in consultation with the European Parliament and at present stands at 0·25 per cent of the value of producers' annual sales; it provides annual revenue of about $25 million. The power to raise its own tax, together with a reserve fund of $100 million, ensures the credit-worthiness of the High Authority and guarantees its independence of action.

From the start of the common market for coal and steel, the Community passed through a period of rapid growth. Steel output more than doubled from 42 million metric tons in 1952 to 85 million tons in 1966. The action of the High Authority and the operation of the common market aided this development by bringing price stability, easing distribution of coal during the boom, providing new markets for iron-ore and steel through a more rational trade pattern, and stimulating competition. Since 1965, faced with the danger of excess supply, the High Authority has intervened to restrain over-production of steel and to limit additions to capacity.

The coal industry, after expanding initially in conditions of acute shortage, found that a growing share of the energy market was being won by oil and other new sources of energy: in 1965 coal provided only 38 per cent of total energy consumption, compared with 53 per cent in 1960 and 73 per cent in 1950. In this situation the High Authority's task is to ensure the orderly retreat of coal at a pace which avoids social or economic disruption. Uneconomic pits are being closed and others regrouped and modernised. Average productivity in the Community rose from 1·4 tons per manshift underground in 1953 to 2·6 tons in 1966. Since coal output first began to fall in 1957, the number of workers employed in the Community's coal industry dropped by over 400,000 to 650,000 in 1966.

Employment and redeployment

The ECSC Treaty's retraining and re-employment provisions have greatly eased the impact of this major change; an amendment to the ECSC Treaty in March, 1960 extended and widened the High Authority's powers to apply such measures. The High Authority is also promoting industrial redevelopment in the areas until now mainly dependent on coalmining for their livelihood. A plan for cutting back Belgian coal capacity by one third between 1960 and 1964 was carried out under High Authority supervision. In 1965 a High Authority decision authorised subsidies by member governments to ease the problems involved in mine closures and to speed up modernisation. In February, 1967, the Six agreed on a system of subsidies for coking coal to enable Community production to compete with imported supplies.

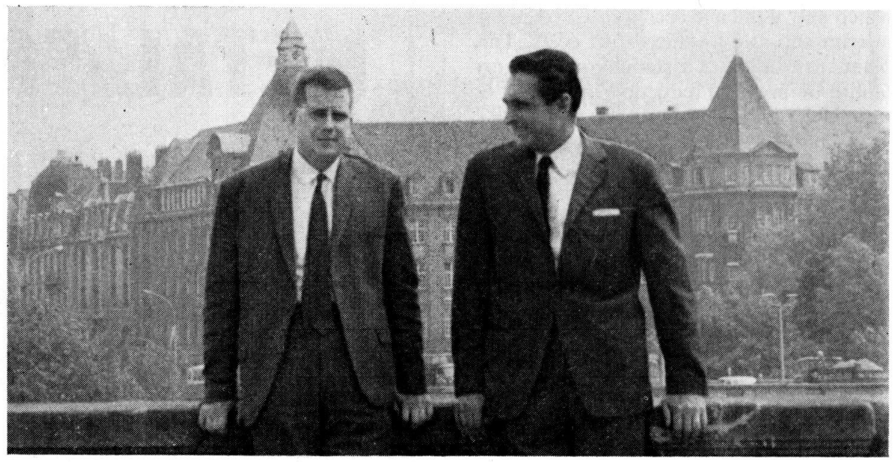
The High Authority has direct powers to control restrictive trading practices. All company mergers in the coal and steel sector require the approval of the High Authority, which is given only if the resulting unit will not hold a dominant position in its sector of the market; any firm or group which already has a dominant market position is subject to strict High Authority control. But what does it all mean in practical terms? In Luxembourg I spoke to Mr Louis Janz, an official of the ECSC, about the whole purpose of this reorganised, concentrated effort.

One of the main purposes behind a united Europe is that of concerted political effort, of course; and Louis Janz, who is with the Coal and Steel Community, emphasised this strongly when I met him in the rue Aldringer offices of the High Authority.

Call for "united Europe"

"The Middle East crisis was a case in point," he suggested, "all we could do was sit by impotently and watch the developments without any real possibility of changing them. Had we been a united Europe—a complete Europe, that is to say—how different it would have been. As we now know the whole affair was settled almost as soon as it began: but whatever had been the outcome we all felt a strong sense of isolationalist futility which, personally, I think Britain's entry might affect for the better." But this was an individual viewpoint, an attitude of a man closely involved with the Community but speaking here as a European, and as a human being. One needs no specialist qualifications to point to this kind of flaw in the present political divisions between us and continental Europe.

VOICE Editor Brian J. Ford (left) with M Louis Janz, the official spokesman for the ECSC High Authority, in Luxembourg.



But to talk of the ECSC itself does call for detailed, specialist knowledge and M Janz is himself in an ideal position to do this; he is now the official spokesman of the Coal and Steel Community High Authority itself, and he began our discussion by emphasising one point: "This is the oldest of the three communities, and therefore it has greatest experience at handling Community differences. Mind you," he added, smiling, "it also makes us perhaps most susceptible to senility . . . "

History of EEC

He explained to me that the move towards union was originally not so much an economic decision, as might appear so to the outsider, but basically it was a political manoeuvre. It is psychologically difficult to get differing countries, with different ways, to unite effectively—quite apart from mechanical boundary difficulties—and the ECSC was virtually a "token" organisation to make the first moves in the right direction. By 1958, he recalled, this tacit integration had become reality. The Paris Treaty has shown the form that unity should take and we have now the possibility of a new form of integration, he went on; for basic religious reasons as much as any others there has always been a tendency for Europe to act as a united entity.

Initially this occurred through wide-spread warring, all really small attempts to bring about a united front on the Continent, and latterly the move has been towards political unity. After the 2nd World War, how could there be individualistic action, he asked? Clearly here was a balance of power and influence, and there had to be supernational conferences and a supernational attitude to internal affairs. This word supernational is now a part of the Common Market terminology: it is useful to bear in mind!

Important differences

Yet, I asked him, surely there were tremendous international differences? "Yes there are certainly many of these," he said, "but they are almost part of our strength and not of our weaknesses. There are temperamental distinctions, differences of habits and so many others—and yet, underneath all this there has been a steady upsurge of a desire for concerted action, for Europe to be the unit rather than its constituent nations. And this is so true today! Look at the people you see on the Continent—no longer can you say 'He is Dutch' or 'He is a Frenchman'; they are all Europeans and they even look like it. I feel like a European myself, and I cannot instinctively feel nationalistic divisions. When there is this kind of unity the superficial disparities become a strong point, for they give a different interpretation to supernational issues that could be missed on a lower plane."

Wasn't Britain a part of Europe, I asked? I have always felt a very strong affinity to continental Europeans—in fact to this day I feel more at home on the continent, in a different climate of intellect and in a different language, than I do in much of Britain. "Certainly," Louis Janz insisted, "the British are Europeans even if they don't always sit back and realise it. I remember a saying of the Belgian Prime Minister, which might interest you a little. 'There are two kinds of small countries in Europe,' he stated, 'those who know they are small and those who still have to realise the fact.' You follow me?" I followed him. But I felt it was a cynical suggestion to make about Britain in some ways. "Perhaps," said M Janz. And yet of course, he was quoting a very valid—and salutary—notion which ought to give us all food for thought.

And what happens to these 'small countries'? How are decisions reached? "From 1966 we have used a large-majority voting system, rather than a unanimous one, and we do find that some nationals are not keen to find themselves suddenly bound by a majority vote taken, in effect, by members of other countries."

Majority policy

This is of course a very basic problem in considering our own applications and its effects, but M Janz emphasised that the majority policy of the Commission with a dialogue between national and supernational bodies, did provoke a kind of broad-based understanding which encouraged an active desire to solve problems fairly and objectively. "Our Council of Ministers uses the methods of diplomacy to work," he explained. "It argues around a matter and finds its weak points.

"But the Commission has a different approach. It has to arbitrate, and the members have to report back to their own countries. In this way we get completely unbiased, fair analysis and decision-taking on two levels of approach and when the Commission advises the Council of its decisions there is a solid mass of evidence on which to base future action."

And how successful had the changes been, as good as had been envisaged? "I am afraid not, in some ways, though it has almost exceeded our wildest hopes in others," M Janz told me. "In 1950 when the Treaty of Rome was signed, the signatories were aiming at complete political unity in ten years. Well of course it didn't happen. Half the snags were not—could not have been—foreseen; but fundamental agreement is already here in principle. Needless to say in setting out to solve problems we chose the line of least resistance and tackled the easiest problems first. We tackled the Iron and Steel customs barriers first off and they were stabilised in one day, for instance!" But it is problems of a wider nature which still preoccupy the Community, as they do us in Wales of course. For instance, I asked M Janz, what of the investment flux? How were investments being encouraged?

"We have three lines of approach in the ECSC. We offer advice; we have long-term planning for a region; and we have financial incentives. This controls orientation without affecting individual responsibility. Technological advance rests on mobility and communications, and so we have to pay especial attention to these—but we have found a number of interesting facts which we can apply on a wider basis. For example, we have shown it is not a good idea to take people to the industry; we must bring industry to the people. This seems to apply particularly to a country like Wales, where we hear of your 'redeployment' measures in operation.

Industrial redeployment

"We have shown without doubt that it is necessary to bring industry into an area, rather than try to move workers out to other places where industry is already established."

As coal mines are closing in Wales, I reminded him, we are seeing repeated calls from the unions to correlate this with the arrival of new industries. Is this being done in Europe with any success?

"Being done, yes; but with mixed success it is only fair to say. We are relating the two—closure of old industries and the opening of new—and we do maintain an overall balance. But needless to say there are some equalities as the process proceeds. The important thing, I believe, is that we realise the importance of striving to this end—even if it is an imperfect process in practice."

Selling Wales to the U.S.

THE WELSH Office is in the final stages of preparing a booklet provisionally entitled *Invest in Wales*, designed to present Wales as a developing country to industrialists in the U.S.A. and Canada. The publication over there will coincide with the visit of the Rt Hon Cledwyn Hughes, MP, Secretary of State, to the United States and Canada for a fortnight in Mid-October. The booklet will be in colour, in the form of a large glossy handbook of the latest developments in the Principality. It will include pictures of factories and sites of recent developments such as power stations, and will include inserted inside the back cover the latest Board of Trade booklet on Investment Incentives for the area. There are at present about 50 American firms in Wales and the aim of the booklet is to attract increased foreign investment.

False image

VOICE OF WELSH INDUSTRY, which has been assisting in the preparation of material for the booklet, understands that an additional aim is to counteract the image of Wales often presented by tourist authorities. It appears that most of the Americans who know of the country at all immediately think of its traditional craftsmen-based industries and a rather quaint way of life quite unlike the active developing region it is, and most of them have little knowledge of our centres for research into technical and management problems which, in some cases are amongst the world's best. The booklet, by concentrating on recent developments in the technical sphere is "really trying to destroy an out of date and inaccurate image of Wales," said a member of the Welsh Office.