

*The European
Coal and Steel Community
(THE SCHUMAN PLAN)*

PN-APP-818/62
150-34325

MONTHLY REPORT OF THE MUTUAL SECURITY AGENCY

PUBLIC ADVISORY BOARD

MUTUAL SECURITY PROGRAM

W. Averell Harriman, Chairman

David S. Brown, Secretary

- Sarah G. Blanding
- James B. Carey
- Jonathan W. Daniels
- Robert H. Hinckley
- Eric A. Johnston
- Allan B. Kline
- Orin Lehman
- A. E. Lyon
- George H. Mead
- George Meany
- Herschel D. Newsom
- James G. Patton

*This Document Prepared from
Official MSA Sources by the
Division of Statistics and Reports
Frank M. Charrette, Acting Director*

A BASIS FOR ECONOMIC STRENGTH AND POLITICAL SOLIDARITY

"THE PRESIDENT OF THE GERMAN FEDERAL REPUBLIC, HIS ROYAL HIGHNESS THE PRINCE ROYAL OF BELGIUM, THE PRESIDENT OF THE FRENCH REPUBLIC, THE PRESIDENT OF THE ITALIAN REPUBLIC, HER ROYAL HIGHNESS THE GRAND DUCHESS OF LUXEMBOURG, HER MAJESTY THE QUEEN OF THE NETHERLANDS,

"CONSIDERING that world peace may be safeguarded only by creative efforts equal to the dangers which menace it;

"CONVINCED that the contribution which an organized and vital Europe can bring to civilization is indispensable to the maintenance of peaceful relations;

"CONSCIOUS of the fact that Europe can be built only by concrete actions which create a real solidarity and by the establishment of common bases for economic development;

"DESIROUS of assisting through the expansion of their basic production in raising the standard of living and in furthering the works of peace;

"RESOLVED to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of giving direction to their future common destiny;

"HAVE DECIDED TO CREATE A EUROPEAN COAL AND STEEL COMMUNITY ..."

¹ From the Preamble of the Treaty constituting the European Coal and Steel Community, April 18, 1951.

WHAT THE COAL AND STEEL COMMUNITY AIMS TO DO

In a far-reaching step, six countries of continental Western Europe—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands—have agreed to establish a supranational authority endowed with broad powers of a sovereign nature over their coal and steel industries.



The Newly Created European Coal and Steel Community Has a Twofold Objective

POLITICALLY, it seeks to foster a spirit of unity and to remove one of the historic causes of conflict between Germany and the rest of Western Europe by granting all member countries access on equal terms to the resources and materials of the Community's coal and steel industries.

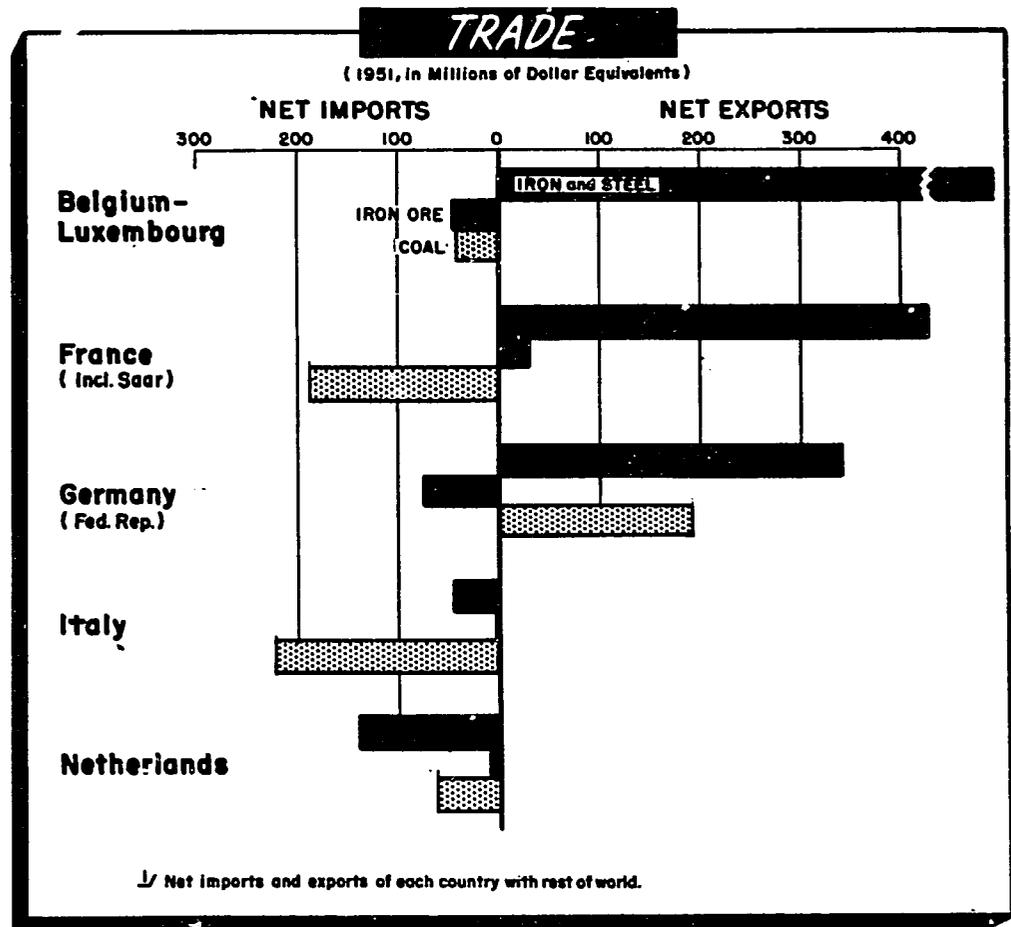
ECONOMICALLY, it is designed to create a single market in coal and steel among the member countries. This will be accomplished by removing national trade barriers, by prohibiting cartels, and by eliminating other restrictive business practices.

A single market will act to increase efficiency and raise the volume of coal and steel production. General living standards, in turn, will be improved, and the economic structures of the member countries will be strengthened.

COAL AND STEEL RESOURCES OF THE SIX COUNTRIES ARE COMPLEMENTARY

None of the six countries of the Coal and Steel Community is fully self-sufficient in production of coal, iron ore, and steel. Each needs to exchange resources with the others for full economic development.

Germany, normally the largest coal and steel producer of the group, imports more than half of her iron ore. France, a large producer of ore, imports a third of her coal and half of her coke. Belgium-Luxembourg exports steel but depends on imports for both iron ore and coke. Italy and the Netherlands are importers of coal, iron ore, and steel.



RESTRICTIVE PRACTICES AND LOW EFFICIENCY MADE INTEGRATION OF RESOURCES ESSENTIAL

ARTIFICIALLY DIVIDED MARKETS RETARDED THE FULL DEVELOPMENT OF ECONOMIC RESOURCES AND CREATED POLITICAL FRICTIONS

Over the course of the years, an intricate network of restrictive devices spread within Europe's coal and steel industries. Import and export controls, double-pricing practices which fixed different sales prices for home and export markets, freight-rate discriminations, preferential tariff regulations—all these stood in the way of a rational use of production and marketing facilities and tended to engender dangerous economic and political rivalries.

CARTELIZATION OF HEAVY INDUSTRIES BECAME A NORMAL PRACTICE

International cartels were set up to protect coal and steel producers from sudden market changes. These cartels allocated markets, assigned production quotas to individual enterprises, and limited investment and modernization. Emphasis was put on restricted production and high per-unit profits. As a result, the initiative of private business was generally shackled, competition was stifled, and the less efficient producer was protected from his inefficiency.

BOLD MEASURES WERE NEEDED TO BRING EFFICIENCY AND EQUILIBRIUM

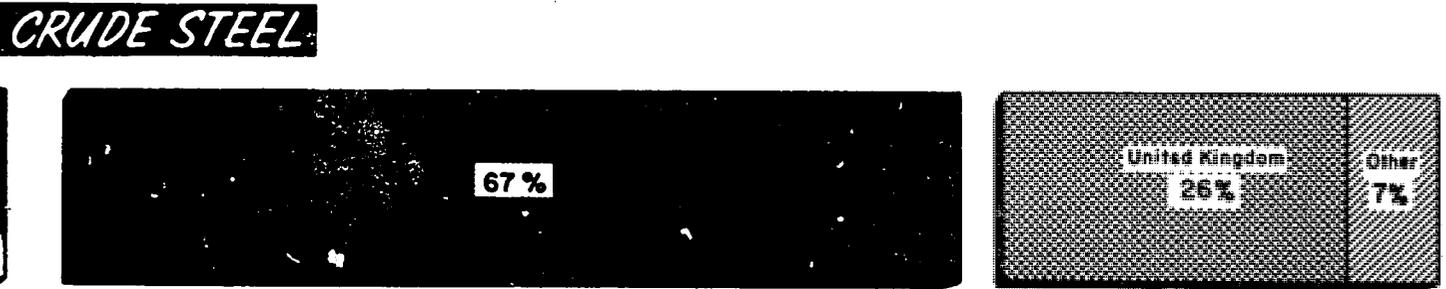
After World War II, the pattern of cartelization began to reassert itself, and it became clear that the various factors which led to the establishment of cartels were too deeply rooted to be remedied by individual action or national legislation. Some supranational organization was needed with authority to take the necessary corrective steps.

THE COAL AND STEEL COMMUNITY IS CONCEIVED AND BROUGHT INTO BEING

On May 9, 1950, the French Foreign Minister, Robert Schuman, announced that a plan—which came to be known as the "Schuman Plan"—had been prepared which envisioned the creation of a single market for coal and steel in France, Germany, and other interested European countries. Invitations were extended to participate in negotiations for the purpose of drafting a treaty which would put this plan into effect. Six nations—Belgium, France, Western Germany, Italy, Luxembourg, and the Netherlands—joined in the negotiations, and the United Kingdom, the United States, and the Council of Europe were kept informed. On April 18, 1951, a draft Treaty was signed. On July 25, 1952, after each of the six parliaments had ratified the Treaty, the European Coal and Steel Community was brought into being.

IMPORTANCE OF THE COMMUNITY OF SIX ①

The Six Countries of the Community Produce More Than Half of Western Europe's Coal, Iron Ore, and Steel ②



① Based on 1951 production.
 ② Other OEEC countries.
 ③ Hard coal and lignite in hard coal equivalents.

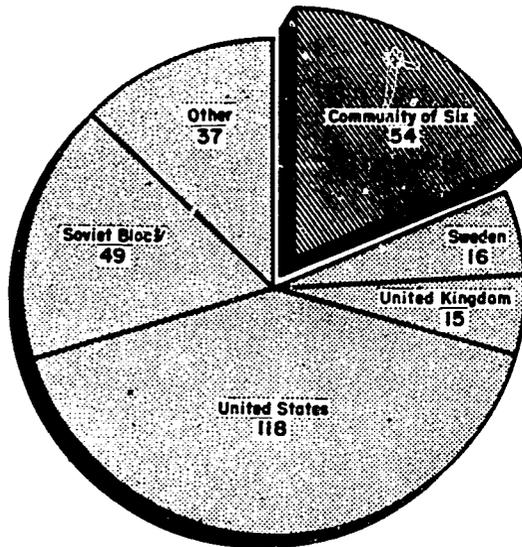
COAL AND STEEL COMMUNITY

IMPORTANCE OF THE COMMUNITY OF SIX ②

The Community is Also a Major World Producer

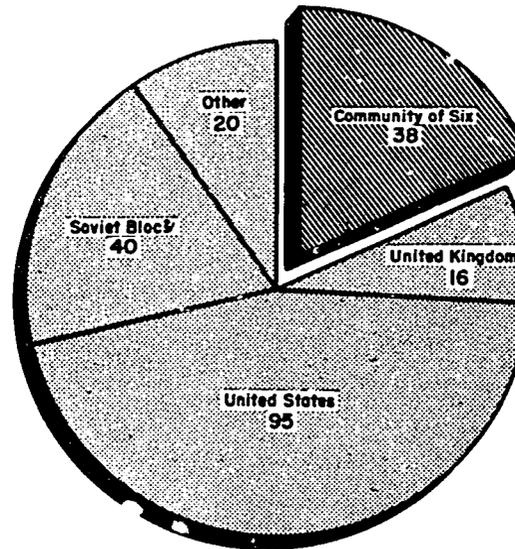
Together, the six countries of the European Coal and Steel Community account for 15 percent of the world's total output of coal, 18 percent of its output of crude steel, and 19 percent of its output of iron ore.

IRON ORE



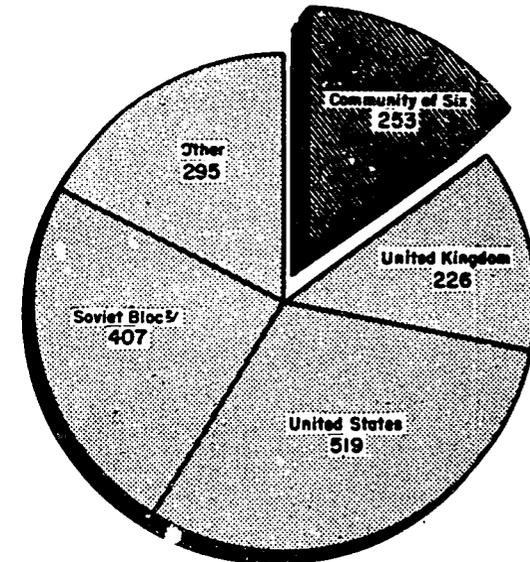
289 MILLION METRIC TONS^{1/2}
World Production in 1951

CRUDE STEEL



209 MILLION METRIC TONS^{3/4}
World Production in 1951

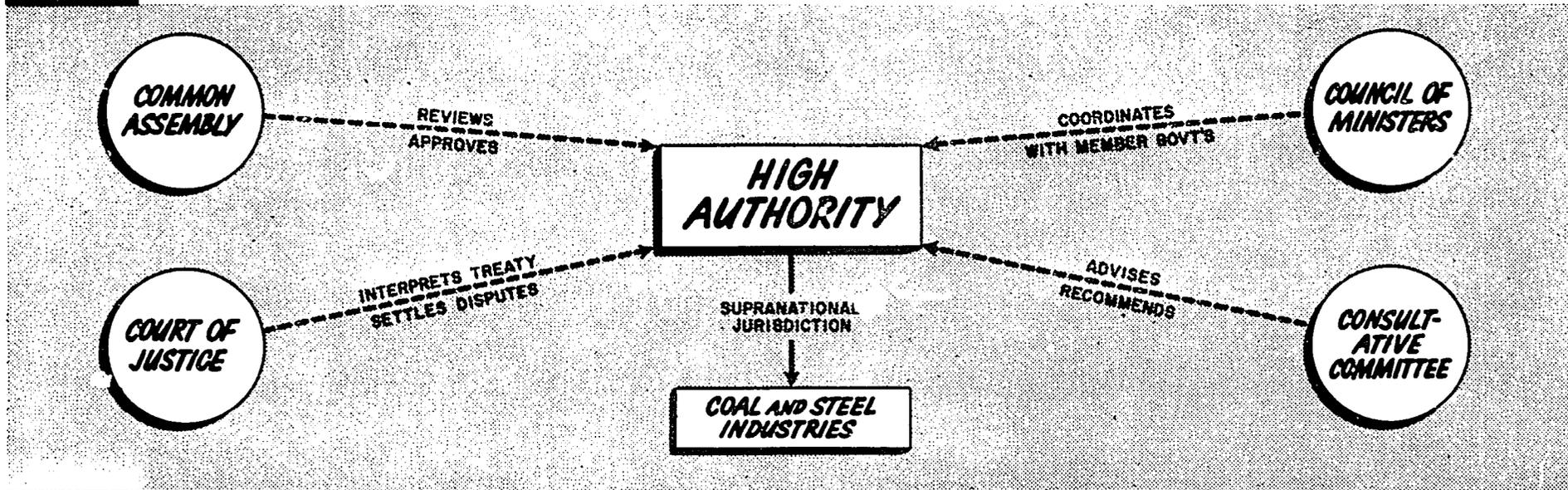
COAL



1700 MILLION METRIC TONS^{3/4}
World Production in 1951

^{1/2} Hard coal and lignite in hard coal equivalents.
^{2/4} U.S.S.R. and European Satellites.
^{3/4} Estimated.

INSTITUTIONS OF THE COMMUNITY 1



Organization and Functions

Main Powers

HIGH AUTHORITY

The High Authority is the executive arm of the Community empowered to enforce most of the substantive provisions of the Treaty. It consists of nine members, eight of which are designated by common agreement among the member governments; the ninth is selected by the other eight.

The members of the High Authority represent the Community as a whole. No member will report to or receive instructions from any of the participating governments.

The High Authority is presently established in Luxembourg.

- ▶ Insure maintenance of free competition by prohibiting enterprises from engaging in restrictive practices which fix prices, control production, or allocate markets.

- ▶ Oversee investments, and make and guarantee loans for investment purposes.

- ▶ Obtain funds by levies on production, by borrowing, and through grants.

- ▶ Enforce its decisions through the assessment and collection of fines and penalty payments.

- ▶ Regulate production and distribution, and fix prices and wages in certain prescribed cases in which there is a serious disequilibrium between supply and demand.

INSTITUTIONS OF THE COMMUNITY ②

Organization and Functions

Main Powers

	<i>Organization and Functions</i>	<i>Main Powers</i>
COMMON ASSEMBLY	<p>The Common Assembly is made up of representatives of the peoples of the member states. At present, these representatives, 78 in number, are drawn in agreed proportions from the parliaments of each of the countries.</p> <p>The Assembly is now meeting in Strasbourg, Germany.</p>	<ul style="list-style-type: none"> ▶ Conduct an annual review of the High Authority's work. ▶ Approve the proposed budget of the Authority. ▶ On a motion of censure, by a two-thirds vote, compel the members of the High Authority to resign as a body.
COUNCIL OF MINISTERS	<p>The Council of Ministers provides a means whereby the work of the High Authority can be tied in closely with the economic measures being taken by the member governments.</p> <p>The six Council members are drawn from the governments of each of the signatory countries; the Foreign Minister is usually designated as the country representative.</p> <p>Meetings of the Council are called on request of a state or of the High Authority.</p>	<ul style="list-style-type: none"> ▶ Insure coordination between actions of the High Authority and policies of the member governments. ▶ Have a voice in the decisions of the High Authority whenever the question of market control is involved—for example, fixing maximum prices or allocations and setting tariff rates with regard to outside sources. ▶ Request the High Authority to examine all proposals on measures which the Council considers necessary. ▶ Concur in fixing levies exceeding 1 percent of output.
COURT OF JUSTICE	<p>The Community provides for its own Court of Justice to deal with the judicial problems arising out of the relations among the Community institutions and out of complaints of aggrieved governments, enterprises, or individuals.</p> <p>The Court is composed of 7 judges, appointed by agreement among the governments of the member states.</p>	<ul style="list-style-type: none"> ▶ Render judgment in cases in which the Authority is alleged to have exceeded its powers by procedural violations or violations of the Treaty. ▶ Nullify acts of the Council of Ministers or the Common Assembly when these bodies have exceeded their powers.
CONSULTATIVE COMMITTEE	<p>The Consultative Committee provides a direct link between the High Authority—on the one hand—and producer, labor, and consumer groups—on the other.</p> <p>Representatives on the Committee, consisting of not less than 30 and not more than 51 members, drawn in equal numbers from the three groups, are appointed by the Council of Ministers.</p>	<ul style="list-style-type: none"> ▶ Advises the High Authority on decisions and recommendations affecting producer, labor, and consumer groups. ▶ Consults with the High Authority in certain cases prescribed by the Treaty, as on the determination of general objectives and programs, and the development of research work.

A SINGLE MARKET FOR COAL AND STEEL WILL BE CREATED

The central theme of the Coal and Steel Community is the creation of a single market in which the free play of competitive forces would replace cartels and restrictive arrangements.

The concept of a common market is made up of two main elements:

1. For coal and steel, national frontiers between the six member countries would be wiped out.

The provisions of the Treaty call for the elimination of all customs barriers and quota restrictions on coal and steel. The Treaty outlaws producer agreements to restrain competition, either by fixing prices, allocating customers, or limiting technological improvements. It also contains authority to prohibit an excessive concentration of economic power.

2. Within the single market which would be created, selling and purchasing would depend, except in times of crisis, on free competition.

The existence and size of the free market will make it possible to develop mass production, to lower unit costs, and to increase consumption.

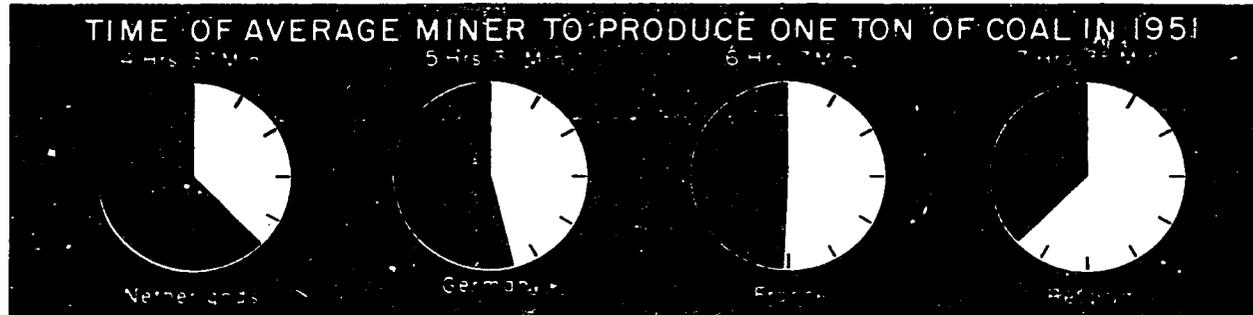
The shift to a single market will be gradual.

Creation of a single market for coal and steel requires a reasonable transition period to cushion the shock of adjustment. Sudden shifts in production within the merged area and abrupt disruptions of long-established patterns of trade, wage payments, and investment might prove too great a burden for the economies of the countries concerned, particularly for Belgium and Italy, where production costs are comparatively high. Therefore, a Convention to the Treaty provides for payments from a special "perequation fund" to enable high-cost coal producers to lower their prices gradually.

The Treaty provides for two orderly periods of transition. The first or "preparatory period" began on July 25, 1952, when the Treaty came into effect. This period is being devoted to the establishment of the institutions of the Community, negotiation of its relations with outside countries, and planning for a single market. The second and major transition period will begin on February 10, 1953, with the creation of the common market for coal. (The common market for steel will be created two months later.) At this time, all provisions of the Treaty will take effect, and the institutions of the Community will acquire their full powers. During this second transition period, which is to last for 5 years, efforts will be directed toward accomplishing a smooth adaptation of Europe's coal and steel industries to the conditions of a single market.

A SINGLE MARKET WILL RAISE THE OVER-ALL LEVEL OF EFFICIENCY...

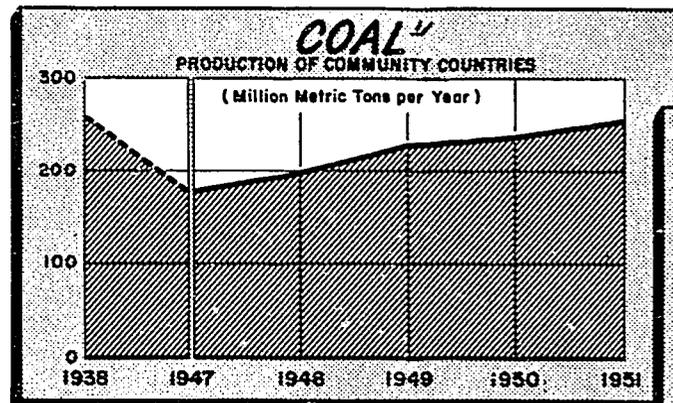
At Present, There is a Wide Variation in the Rate of Productivity



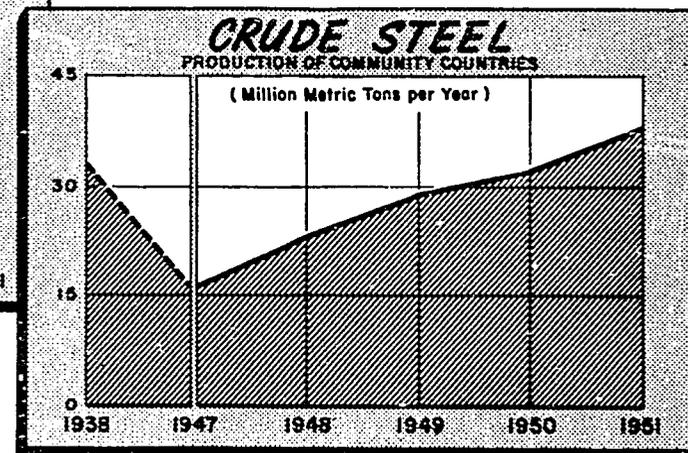
↙ Based on output per man-shift of workers underground.

... AND BRING FURTHER INCREASES IN PRODUCTION

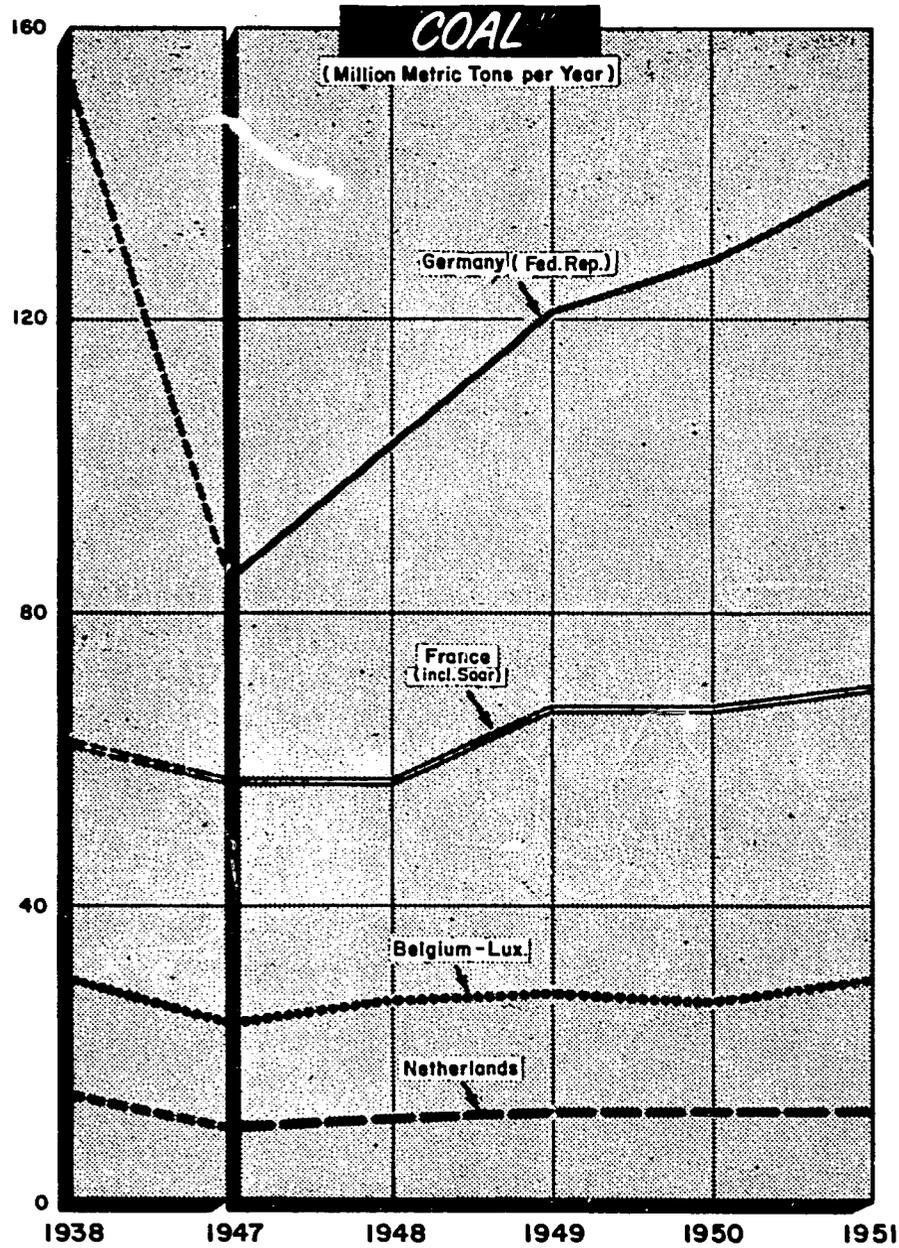
Output, Though on the Increase, Must Rise Faster to Meet Expanding Needs



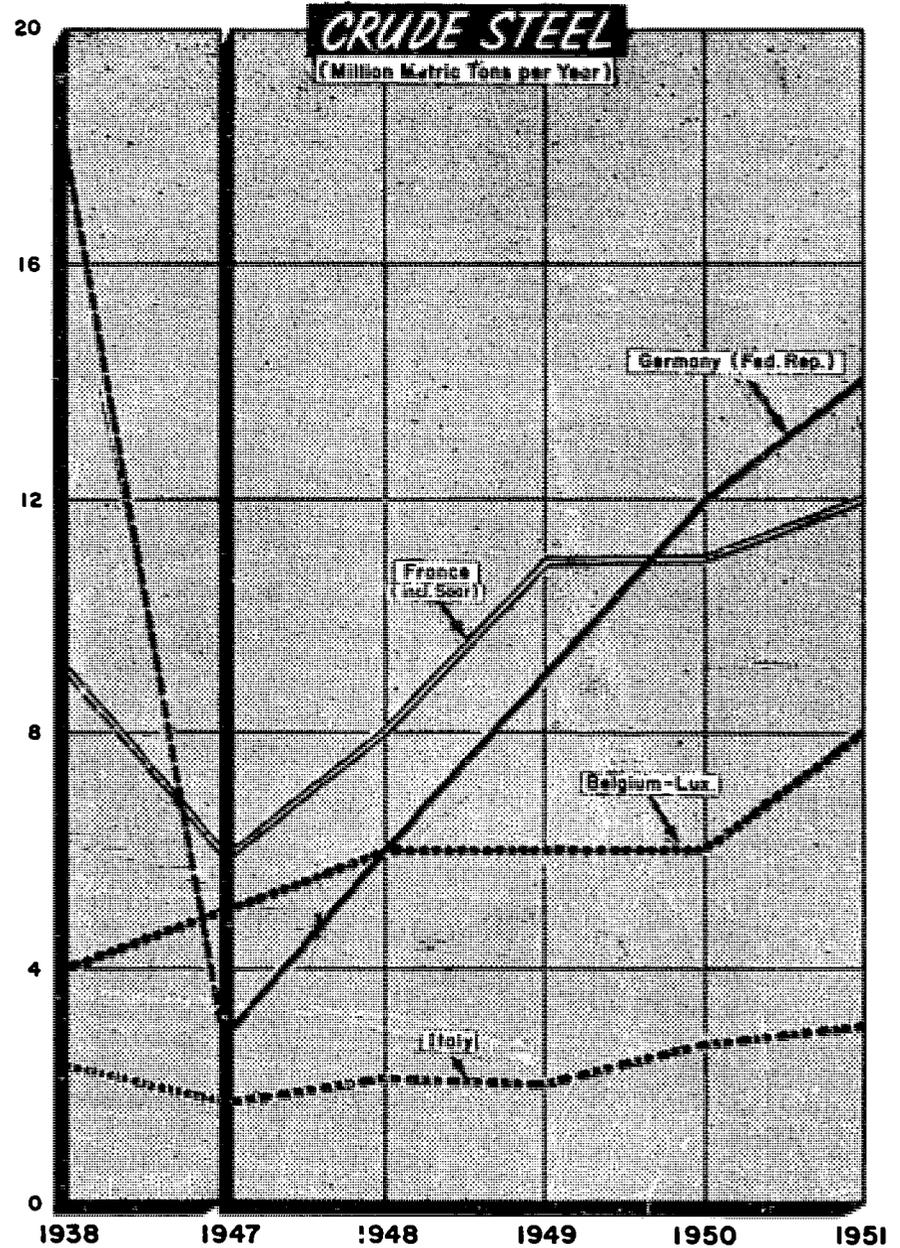
↙ Hard coal and lignite in hard coal equivalents.



THE PRODUCTION PICTURE BY COUNTRY



✓ Hard coal and lignite in hard coal equivalents.



THE COMMUNITY AND LABOR

The coal and steel Treaty provides for the protection of labor interests both during the transition period and when the Community is in full operation. Deliberate lowering of wages as a technique of competition is prohibited except in certain circumstances, as when living costs decline.

During the adjustment period, the Authority is responsible for helping workers to adapt themselves to the changing situation. It may assist in the financing of programs capable of assuring productive employment to workers; it may make grants both to tide workers over until they can obtain new employment and to finance their technical retraining where necessary.

The Treaty also contains other provisions unique in international labor history. These provisions provide for the free movement of labor throughout the Community and the renunciation of all restrictions on hiring based on nationality.

THE COMMUNITY AND NON-MEMBER COUNTRIES

Although the dominant theme of the Coal and Steel Community is the creation of a single market, the Treaty makes it clear that this single market is not to be isolated from the rest of the world. Rather, it is a stated purpose of the Community to further the development of international trade and see that fair-pricing practices are observed.

The basis for close cooperation between the Community and the two principal interested non-member countries—the United Kingdom and the United States—has already been established. The United Kingdom has expressed its willingness to cooperate with the Community and has established a permanent delegation to deal with the High Authority. The position of the United States is to give the Coal and Steel Community the strong support that its importance to the political and economic unification of Europe warrants. The United States has set up a special mission to represent it in its relations with the High Authority.

THE COMMUNITY AND DEFENSE

The newly established Community will seek, through collective action, to utilize coal and steel resources in a more rational manner. New investments in coal and steel facilities are now more likely to be made in areas which give promise of greater efficiency of operation. Expansion and improved efficiency will increase production. In the long run, the progressive strengthening of the coal and steel industries will contribute greatly toward Western Europe's ability to sustain an adequate defense effort.

In addition, the spirit of cooperation fostered by the close association in coal and steel matters makes it easier to accept Germany into the Community of European nations and to identify that country with the security effort of the free world.

A REAL FOUNDATION FOR EUROPEAN FEDERATION

The European Coal and Steel Community can be the nucleus of a strong European federation.

The Community—along with the Organization for European Economic Cooperation and the European Payments Union—is a noteworthy example of the intra-European cooperation that has developed so rapidly since the end of World War II and the beginning of the Marshall Plan. It is also a turning point, moreover, in the sense that the Community represents the first truly supranational institution to be established in Europe. Within its proper sphere, it is sovereign. The member states have undertaken certain legal obligations in signing the coal and steel Treaty. The Community is not forced to rely solely on the good will of the member states for enforcement but can require them to support its decisions.

The acceptance of the supranational principle by the six participating countries means that the Coal and Steel Community and its institutions can pave the way for further developments of a similar nature. Thus, the Assembly, the Ministerial Council, and the Court of Justice provided for in the proposed European Defense Community—for a common defense force—are to be identical, for all practical purposes, with the corresponding organs already established under the coal and steel Treaty. Equally important for the future is the fact that the Community's Common Assembly has already undertaken the drafting of a federal constitution for the countries belonging to the Coal and Steel Community and the contemplated Defense Community.

There is little doubt that the Schuman Plan can provide a solid base upon which to build a more dynamic and more united Europe—a Europe organized for peace as well as for war. Such a Europe will be an invaluable asset to the free world.

EUROPE MOVES AHEAD

WITHIN THE FRAMEWORK OF NORTH ATLANTIC COOPERATION...

APRIL 1948							APRIL 1949							MAY 1949							JULY 1950						
SUN	MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES	WED	THUR	FRI	SAT
					2	3					1	2	1	2	3	4	5	6	7							1	
					10	17	3					9	8	9				14	2	3					8		
4					17	24	10					16	15	16				21	9	10					15		
11					18	25	17	18	19	20	21	22	23	22	23	24	25	26	27	28	16	17	18	19	20	21	22
18	19	20	21	22	23	30	24	25	26	27	28	29	30	29	30	31					23	24	25	26	27	28	29
25	26	27	28	29	30																30	31					

...SIX NATIONS OF WESTERN EUROPE ARE MOVING TOWARD ECONOMIC AND POLITICAL UNITY

JULY 1952							JULY 1952							JULY 1952						
SUN	MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES	WED	THUR	FRI	SAT
						5	1	2	3	4	5	6	7	5	6	7	8	9	10	11
					12	19	8	9				14	12	13				18		
6					12	19	15	16				21	19	20	21	22	23	24		
13					19	26	22	23	24	25	26	27	28	26	27	28	29	30	31	
20	21	22	23	24	25	31	29	30	31											
27	28	29	30	31																

1/ Treaty, signed on May 27, 1952, now in process of ratification.
 2/ Draft treaty now being drawn up by the *ad hoc* Assembly of the Coal and Steel Community.

Albert H. Huntington, Jr.
6621 Gordon Avenue
Falls Church, Va. 22046

Friday
September 9, 1983

Miss D. Helen Davidson
AID/PPC/E/Office of Development
Information and Utilization
209 State Annex # 18

62

Dear Helen:

Enclosed is a fresh copy of a special 15-page text/chart presentation from 31 years ago, on "The European Coal and Steel Community". This appeared originally in the Mutual Security Agency's Report to the Public Advisory Board, as of September 30, 1952.

Plans for establishing a single coal and steel market had been announced by French Foreign Minister Robert Schuman on May 9, 1950; and a draft treaty was signed by Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands on April 18, 1951. The European Coal and Steel Community finally came into being on July 25, 1952, and thus was just getting under way when this PAB Report was prepared. You could cross reference "Schuman Plan".

Albert H Huntington Jr.

16