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**Report**

drawn up in accordance with the  
European Parliament's Resolution of 22 March 1965

on

**the Thirteenth General Report on the Activities of the E.C.S.C.**

and on

**the Political Report of the High Authority of the E.C.S.C.**

**General Rapporteur: Mr. Gaston Thorn**

At its session of 22 March 1965 the European Parliament passed a resolution to the effect that the results of the examination of the General Reports on the Activities of the Communities would be embodied in a single report drawn up on the basis of the Opinions of the Committees concerned, as happened in previous years. On 24 March 1965, the European Parliament decided to include the Political Report of the High Authority in the examination of the Thirteenth General Report on the Activities of the E.C.S.C.

At its session of 22 March 1965, the European Parliament appointed Mr. Gaston Thorn General Rapporteur for the Thirteenth General Report on the Activities of the E.C.S.C.

Ten Committees prepared Opinions on sections of the Thirteenth General Report coming within their province. These Opinions were adopted at the following meetings:

- Political Committee, Strasbourg, 10 May 1965, Rapporteur: Mr. F. Dehousse;
- External Trade Committee, Brussels, 30 April 1965, Rapporteur: Mr. A. Carcaterra;
- Internal Market Committee, Strasbourg, 13 May 1965, Rapporteur: Mr. A. Deringer;
- Social Committee, Brussels, 3 May 1965, Rapporteur: Mr. R. Pêtre;
- Economic and Financial Committee, Strasbourg, 13 May 1965, Rapporteur: Mr. P. J. Kapteyn;
- Committee for Co-operation with Developing Countries, Brussels, 4 May 1965, Rapporteur: Mr. A. Armengaud;
- Transport Committee, Brussels, 27 April 1965, Rapporteur: Mr. J. Bech;
- Energy Committee, Brussels, 6 May 1965, Rapporteur: Mr. J.-E. Bousch;
- Research and Cultural Affairs Committee, Brussels, 21 April 1965, Rapporteur: Mr. F. Friedensburg;
- Health Protection Committee, Brussels, 28 April 1965, Rapporteur: Mr. K. Bergmann.

At a meeting held in Strasbourg on 12 May 1965, the General Rapporteur submitted his draft report and the proposal for a resolution for examination by the framers of the Opinions.

At the meeting held in Brussels on 25 May 1965, the Committee of Presidents, in accordance with the resolution of 22 March 1965, agreed that Mr. Thorn's Report on the Thirteenth General Report on the Activities of the E.C.S.C. and on the Political Report of the High Authority of the E.C.S.C. should be transmitted to the European Parliament.

The following were present: Mr. J. Duvieusart, President of the European Parliament; Mr. J. Fohrmann, Mr. H. Furler, Mr. J. Vendroux, Mr. G. Kreyssig, Mr. J. V. Brunhes, Vice-Presidents of the European Parliament; Mr. J. Drouot L'Hermine, on behalf of the European Democratic Union; Mrs. I. Elsner, Mr. L. Terrenoire, Mr. A. Storch, Mr. F. Vals, Committee Chairmen; Mr. A. de Block, Committee Vice-Chairman.

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## REPORT

### on the Thirteenth General Report on the Activities of the E.C.S.C. and on the Political Report of the High Authority of the E.C.S.C.

General Rapporteur: Mr. Gaston Thorn

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#### INTRODUCTION

1. This is no doubt the last year when the European Parliament will have the opportunity to discuss a General Report of the High Authority of the E.C.S.C. covering a complete financial year. The Governments have agreed to merging the Executives and the Council of the European Communities and, provided the agreement is ratified by the national Parliaments within the prescribed time-limit, the "discussion partner" of the European Parliament will next year be the merged Executive. Whether the High Authority itself will submit a report for the remainder of its term of office or whether it will leave it to the common Executive to submit a report on its activities for the rest of 1965, we are, in any case, reaching the end of a stage in European unification. At this juncture, it is therefore natural that we should look back at past achievements and endeavour to give an overall view of this significant period in the construction of Europe. Your Rapporteur considers it advisable, therefore, to append to the analysis of last year's events, as mentioned in the Thirteenth General Report, an interim balance sheet on the activities of the Community.

2. It also seems appropriate to deal in this report with the main problems arising from the merger of the Executives and the Communities. The merger of the Executives alone is already of considerable interest in regard to the future of Europe, but the merger of the Treaties will be even more important and richer in implications. The task and the duty of the European Parliament is to make its position known, clearly and in good time, on these vast developments. Moreover, some of its Committees have already begun to assess the implications of the merger of the Executives for various fields of Community policy and have formulated the necessary political conditions. This analysis of the effects of the merger will no doubt be pursued and make it possible to apprise the Governments and the institutions of the Community, and not least public opinion, of the position of the European Parliament. Whilst your Rapporteur does not intend to anti-

cipate this statement, he feels it useful to give in this report an outline of questions of primary importance arising from the merger, in so far as the present situation enables them to be discussed. In so doing, your Rapporteur is simply following the example of his predecessor, Mr. Nederhorst, who, in his report on the Twelfth General Report of the E.C.S.C.<sup>1)</sup>, has already stated his views—for which he should be thanked—on numerous problems relating to the merger. In addition, your Rapporteur takes account of the fact that the majority of the Parliament's Committees have dealt with the problems of the merger in their Opinions on the Thirteenth General Report.

3. A felicitous initiative on the part of the High Authority has made it possible to present the report in this form. As it pledged to do last year, the High Authority has recently submitted to the European Parliament a Political Report<sup>2)</sup> in which it outlines the experience gained by the first European Community since the beginning of its activity and gives the broad features of its action programme for the near future. The presentation of this report was well-timed and meets the desire of the European Parliament. On the eve of the merger of the Executives and with the prospect of a merger of the Communities, it is not only useful but, indeed, essential to consider the experience gained by the European Coal and Steel Community with regard to Community policy and to draw a lesson from it. When the Treaties are merged, it will be necessary—as judiciously pointed out in the High Authority's Political Report<sup>3)</sup>—to synthesize the experience gained hitherto by the three Communities. The High Authority should, therefore, be thanked for the report it has presented; its various parts will be examined in the relevant chapters of this report.

4. It is also gratifying to note the way in which, in the second part of its Political Report, the High Authority has dealt with its future programme of work. It was actually feared at times that European

<sup>1)</sup> Doc. 44/1964-1965.

<sup>2)</sup> Doc. 140/1964-1965.

<sup>3)</sup> Part one, paragraph 8.

development might be temporarily crippled by the merger of the Executives, since the different institutions might be induced not to take any further initiative until the merger took place. However, the action programme of the High Authority shows that it is determined not only vigorously to pursue its work—in close co-operation with the Executives of the other Communities as hitherto—but also to help the new Executive to make a good start thanks to the legacy of experience it will come into.

5. The activities of the High Authority over the past year, which will be reviewed in detail in Part one of this report, were also fostered by the determination to further European unification in all the spheres for which the E.C.S.C. is responsible and by using every available means. Success attended the efforts of the High Authority in numerous instances during that period. However, the powers of the Community institutions once again proved inadequate in several cases. Thus, serious gaps, in particular in connexion with the common energy policy, could not be filled over the past year. The High Authority and, later on, the single Executive will have to explore every possibility of inducing Member States to take joint decisions on these matters. This applies more particularly to the sectors where the letter of the Treaty imposes few or no obligations on Member States. It would be unfortunate for the Community if Member States adopted a minimalistic attitude, *i.e.* if they merely fulfilled their obligations under the Treaty. No Treaty could possibly provide for all contingencies, still less when it concerns such a complex process as the integration of six national economies or large sectors of these economies. A flexible adjustment to changed conditions and the political resolve to foster the Community's progress, on the lines of the Treaty's aims, these are the two essential requirements for the final success of integration.

6. This report has been drawn up in accordance with the procedure laid down in the resolution passed by the European Parliament on 22 March 1965 with regard to the debates on the General Reports of the Executives. This procedure has been

followed for a number of years. This year, however, in compliance with the decision taken by the European Parliament on 24 March 1965, the Report on the Thirteenth General Report was also to include the examination of the Political Report of the High Authority.

As in previous years, the Committees concerned have given their Opinions on the General Report. Those responsible for drafting the Opinions were:

- Mr. Dehousse, for the Political Committee;
- Mr. Carcaterra, for the External Trade Committee;
- Mr. Armengaud, for the Committee for Co-operation with Developing Countries;
- Mr. Bousch, for the Energy Committee;
- Mr. Friedensburg, for the Research and Cultural Affairs Committee;
- Mr. Bergmann, for the Health Protection Committee;
- Mr. Pêtre, for the Social Committee;
- Mr. Deringer, for the Internal Market Committee;
- Mr. Kapteyn, for the Economic and Financial Committee;
- Mr. Bech, for the Transport Committee.

Your Rapporteur wishes to express his heartiest thanks to these gentlemen for the Opinions they have drawn up, as well as for their assistance and advice. He is well aware that the drafting of this report would have been impossible without the co-operation of the Committees and, in particular, of the framers of the Opinions. He also wishes to thank the General Secretariat of the European Parliament for its invaluable help. Lastly, he wishes to thank most particularly the High Authority and its services for having provided all the essential information at Committee meetings and during personal talks.

## PART ONE

### ACTIVITIES OF THE E.C.S.C. DURING THE PERIOD UNDER CONSIDERATION

#### Chapter I

#### Energy problems

##### A — *The situation on the energy market*

##### a) *The trend in energy consumption*

7. Energy market problems and energy policy were the Community's main concern during the

period covered by its Report; public opinion followed with keen interest the efforts made by the Community institutions and the Governments to formulate an energy policy.

1964 was marked, for the whole of the Community, by a comparatively fast economic expansion which brought on an appreciable increase in energy consumption.

This trend was largely due to a substantial increase in the rate of activity of some branches of industry whose energy requirements are particularly high. There was a distinct upward movement in the iron and steel industry where steel and cast iron production increased by 12 per cent. The chemical and building-materials industries also kept up their rates of production.

During the period covered by the report weather conditions were near normal but water run-off conditions were below average.

The combined effect of the various factors enumerated above led to a 3.6 per cent increase in energy consumption, thus bringing it up to 580 million metric tons h.c.e. It appears, therefore, that the upward trend in energy consumption is faster than was expected in the study on the Long-Term Energy Outlook for the Community. The survey had forecast that the Community's total energy consumption would not exceed 570 million metric tons h.c.e. before 1965.

b) *The shares of the different energy sources in overall consumption*

8. The increased requirements were met in highly varying proportions by the various energy sources. The structural change in the energy market continued in favour of petroleum and to the detriment of coal. The share of petroleum products used in meeting overall requirements was 41 per cent. On the other hand, hard coal consumption fell not only in relative terms but also in absolute quantities.

The following table shows the growth in total energy requirements and the way these were met by the various energy sources:

	Consumption in absolute quantities ( <sup>1</sup> 000,000 m.t. h.c.e.)			in %		
	1963	1964 (estimated)	1965 (forecast)	1963	1964 (estimated)	1965 (forecast)
Hard coal	254	243	235	45	42	39
Brown coal	37	38	39	7	7	7
Oil <sup>1)</sup>	207	238	264	37	41	43
Natural gas	19	20	23	3	3	4
Primary energy	44	40	45	8	7	7
Total <sup>2)</sup>	561	580	607	100	100	100

<sup>1)</sup> Of which: fuels

	1963	1964	1965
Million m.t.	43	48	53
Million m.t. h.c.e.	62	69	76

<sup>2)</sup> Rounded figures, which may therefore differ slightly from the sum of the individual items.

This trend is marked by a further decrease in all Community energy sources that cover the Community's own requirements. The increase of 19 million m.t. h.c.e. in energy consumption recorded in 1964 was only covered to the extent of 6 million m.t. h.c.e. by Community production. Net imports were about 280 million m.t. h.c.e., *i.e.* about 48 per cent of consumption.

c) *The supply*

9. Hydrocarbons (oil and natural gas) continued to attract in 1964 a strong competitive pressure on the Community's energy market. Certain very large investments in the refining sector had a special influence. The additional production of new refineries, particularly in the South of Germany, has weighed heavily on the market and brought about a 25 per cent drop in light fuel prices.

On the other hand, Dutch natural gas has not yet appeared on the market. However, large capital investments were made and, in particular, a 500 km. pipeline was laid. The share of Dutch natural gas will therefore be growing in future years.

Imported American coal, whose prices have undergone slight fluctuations as a result of varying sea freights, can now be supplied in the Community at more attractive conditions than Community coal.

10. Owing to these factors, the position of Community coal has again worsened. While the prices of important competitive products have fallen, Community mines have been faced with a further and not insignificant increase in their production costs. In the Community's main coal-basins, wage increases were of the order of 7 per cent and could not be compensated—or, at any rate, not fully compensated—by increased productivity. The

collieries were unable to counterbalance entirely higher costs by higher prices, as this would have resulted in the risk of accelerating the substitution processes. Under these conditions, the financial situation of the mines remains critical in most basins. This question will be dealt with in detail under Chapter II.

d) *The outlook for 1965*

11. According to the High Authority's forecast, the overall internal energy consumption will be 607 million m.t. h.c.e. in 1965 and the overall demand will be about 710 million m.t. h.c.e. Once again, the Community's energy production will only contribute in a small proportion to the increase. The increase in production might be about 5 million m.t. h.c.e. The Community's coal-mines will only play a small part in this increase, already low as such. It is, in fact, expected that the share of Community coal will only be 219 million m.t. h.c.e., which represents a decrease of 4.5 million m.t. h.c.e. In addition, the growth of German gas production and the first delivery of Dutch gas will bring about an increase of about 3 million m.t. h.c.e. in natural gas production, the total production figure going up to 23 million m.t. h.c.e. On the whole, net energy imports should probably be of the order of 305 million m.t. h.c.e. Thus, the share of imported energy will, for the first time, be more than 50 per cent of internal consumption (48 per cent in 1964).

Prospects, therefore, remain unfavourable for Community coal. It is not certain that the whole of the Community's production will be disposed of in 1965. The High Authority expects a surplus of about 8 million metric tons. It should, however, be noted in this connexion that the Federal German authorities have made a more optimistic forecast; they expect in fact that demand for coal will be higher. The real trend will depend to some extent on factors that are not yet known, in particular weather and water run-off conditions. It seems, however, beyond doubt that, for the time being at least, the structural trends towards a decreasing share of Community coal in the Community's energy supplies will go on.

However that may be, the energy economy of the Community in 1965 is at a turning-point of its history in that, for the first time, the proportion of oil will exceed that of coal and, for the first time, Europe will cover more than half of its energy requirements by imports.

B. — *Energy policy measures*

a) *The situation at the beginning of 1964*

12. We must now consider the efforts made with a view to formulating a common energy policy consonant with the situation on the energy market

as described in section A above. This description makes it quite obvious that the introduction of a common energy policy is now a matter of extreme urgency. It is therefore regrettable that no decision at all had been reached by the beginning of 1964 on the very principles of a common energy policy, in spite of the High Authority's efforts. In its resolution of 22 January 1964, the European Parliament deplored this situation and strongly criticized the Council's lack of political will to come to a constructive decision concerning the common energy policy. Likewise, Mr. Nederhorst, General Rapporteur of the European Parliament for the Twelfth General Report on the Activities of the E.C.S.C., emphasized the serious consequences of the lack of a common energy policy. Mr. Nederhorst drew attention, in particular, to the fact that the Governments of the various Member States had taken, on behalf of their collieries, certain measures whose national character was more and more marked and which were increasingly contrary to a common energy policy.

b) *Energy policy decisions at Community level*

13. It may be said that a favourable trend has developed in this sphere during the period covered by the report. In spite of all the difficulties, and thanks to the firm attitude of the European Parliament, the High Authority was able, immediately after the unfruitful Council session on 2 December 1963, to take the initiative in drawing up fresh proposals. It is to the credit of the High Authority that this initiative should have led to a preliminary decision on the part of the Governments to formulate a common energy policy: on 21 April 1964, the Governments agreed on the terms of an Agreement Protocol concerning energy questions.

14. This Protocol may be regarded as the first expression of a political resolve to formulate a common energy policy. It would, however, be dangerous—as pointed out by the European Parliament in its resolution of 14 May 1964—to overestimate the bearing of the Protocol. It does not constitute a clear programme of what the common energy policy will be. It mainly consists of statements of intent on the part of the Governments; the only truly practical measure provided for, in paragraph 11, is the setting up of a community system of State aid to collieries.

In its Opinion on the Thirteenth General Report<sup>1)</sup>, the Energy Committee deplores the fact that the Governments have so far been unable to draw up a definite time-table for implementing a common energy policy. On the other hand, the Committee is gratified to note the statements made by the High Authority in its General Report<sup>2)</sup> and amplified

<sup>1)</sup> See Opinion of the Energy Committee, Doc. PE 13813/rev.

<sup>2)</sup> See paragraph 95.

before the Committee, namely that the Protocol deals in detail with the present situation in the coal sector but includes as well the engagements entered into by the Governments with regard to other energy products.

It should be observed, in particular, that the Governments have made it clear in the Protocol that they intend to pursue their efforts to draw up and implement a common energy policy under the decision to merge the Communities. This statement implies that the Governments have undertaken to reach agreement on the common energy policy at the latest by the time when the Communities are merged.

15. Any comprehensive judgment on the Protocol should necessarily take into account the fact that it is a decision concerning a matter over which the Treaties which set up the Communities impose no definite obligation on Member States. The importance of the Protocol lies therefore in the fact that it has brought about in the sphere of energy economy a situation which, from a political viewpoint, does not differ basically from that resulting, for certain other sectors, from the provisions of the Treaties setting up the Communities. In fact, Treaty provisions, and in particular those of the E.E.C. Treaty, are only a relatively flexible framework for certain sectors, and this framework must also include practical measures taken by the Community institutions. While this comparison illustrates the scope for action actually provided by the Protocol, it also shows, on the other hand, the extent of progress which the Community must still make in order to achieve a common energy market. The important thing now is to take practical decisions without delay in order to meet the requirements of the Protocol.

16. With regard to coal policy, the Protocol allows of certain immediate measures. This is a gratifying fact, for the situation on the coal market calls for vigorous emergency measures and the States have already begun to take a number of divergent aid measures on behalf of their collieries. Availing itself of the opportunity afforded by the 1964 Protocol, the High Authority has drawn up a proposal for a Community intervention scheme that would enable Member States to assist the coal industry. Upon obtaining the Council's unanimous agreement—an essential prerequisite—the High Authority was able to reach a decision on 17 February 1965.<sup>1)</sup>

17. This decision is a major step towards adjusting Community mines to an entirely changed situation which now burdens the coal industry with a variety of social allowances and special charges

resulting from rationalization efforts imposed on enterprises. Under the circumstances, the support given to the coal industry is in conformity with the objectives of the Paris Treaty. However, if the Community is not to run the risk of disintegrating over the coal sector, such essential assistance should not be provided by measures taken by the States outside the Treaty's framework. It was therefore imperative to include State aid in a Community system.

18. According to the High Authority, the establishment of a Community aid scheme does not necessarily imply that it must be financed by Community funds. In its opinion, the Community character of the scheme can be preserved by laying down common rules for State grants, whereby these should be subject to the High Authority's prior authorization. In addition, the High Authority should be endowed with adequate supervisory powers.

The High Authority's point of view is certainly worth considering. However, the Community character of the system would definitely be more clear-cut if the necessary funds for grants in aid were provided by the Community and managed by its institutions. But this would imply prior agreement on the part of the Governments on the objectives of the Community system, which means, in practical terms, agreement on an important part of the common energy policy. Moreover, the Community may not yet enjoy the necessary cohesion or political maturity to set up such a system. It was therefore consonant with a realistic policy line to do at least what could be done under the circumstances and to create a machinery that would make it possible to co-ordinate and approximate the various State grants. Hence the Energy Committee's tentative approval of the decision of 17 February 1965. On the Committee's proposal, the European Parliament also expressed gratification at this decision in the Resolution passed by it on 23 March 1965.

19. In short, the period covered by the Report is marked by some progress towards a common energy policy. The fact remains, however, that the Community is still a long way from having adopted a general policy concerning the energy sector. The position of the coal sector in the Common Market in relation to other energy sources has not yet been made clear. It is, therefore, essential to formulate as soon as possible a common energy policy. A dynamic approach and sense of initiative on the part of the High Authority and the other two Executives would have a decisive effect in this respect. A common energy policy is a vital aspect of the Common Market; its introduction is therefore an imperative necessity.

This political objective must be pursued, regardless of the many difficulties—to which reference is so often being made—that stand in the way of

<sup>1)</sup> Official Gazette of the European Communities No. 31 of 25 February 1965.

achieving a common energy policy. The Internal Market Committee wishes to point out in this connexion that the Community cannot indefinitely avoid taking its stand: a) on the question whether it is advisable to grant to Community energy, that is, above all, Community coal, a preferential treatment similar to that, for example, provided for in the E.E.C. for Community agricultural products, and b) on the nature of such preferential treatment. In this connexion, an answer must be provided to the question raised by the Energy Committee as to whether a minimum Community coal production should be kept up. It will be necessary to determine whether current Community production, expressed in absolute figures, should be regarded as minimum production. It will also be necessary to determine the degree of self-sufficiency in respect of supplies which should be achieved by the Community. It goes without saying that these decisions are of considerable importance if we consider problems such as the effect of energy prices on cost prices or the dependability of medium and long-term supplies.<sup>1)</sup> In spite of these difficulties, political decisions will have to be reached as to how the energy market should be organized. This is evidently not the kind of difficulty that would clear up of itself, just by ignoring it long enough. The Community institutions and the Governments should therefore be explicitly invited to assume all their responsibilities.

## Chapter II

### The common market for coal and steel

#### A — State of the common market for coal

##### a) Market trends

20. After very favourable trends—due to a number of reasons—for E.C.S.C. coal in 1963, the market deteriorated again in 1964. Following an extremely harsh winter, demand increased substantially during the first months of 1963, while the very mild winter in 1963-64 had not stimulated such demand. Thus the structural difficulties that had been experienced for a long time on the coal market cropped up again. The proportion of oil products continued to increase, while an appreciable surplus production appeared in the coal sector.

Community coal production went up from 225 million tons in 1963 (at the time of the French colliery strike) to 230 million tons in 1964. To this figure must be added 32 million tons of imported coal, so that the total quantity available amounted to 262 million tons.

<sup>1)</sup> The Internal Market Committee reports that, according to the latest estimates, about 16 per cent of world energy reserves are covered by oil and natural gas and 84 per cent by coal and other solid fuels.

21. The growth in production was faced with a drop in demand. Consumption in the Community fell from 261 million tons in 1963 to 254 million tons in 1964. Overall demand (*i.e.* Community consumption, plus consumer stock variations, plus exports to third countries) which in 1963 amounted to 268 million tons, was only 256 million tons in 1964. Thus, pithead stocks had to be built up to about 6 million tons as against a rundown of stocks of 9 million tons in 1962 and 1963.

Moreover, some high-grade coal remained unsold while in the past pithead stocks consisted mainly of low-grade products.

The drop in coal consumption is mainly due to lesser demand in the household sector.

Demand increased in coking-plants and thermal power-stations. The increased consumption in coking-plants is due to the favourable economic conditions enjoyed by the coal and steel industry, but a further large increase in consumption in this sector can hardly be expected in 1965. On the one hand, because expansion in the steel industry will not continue at the same pace and, on the other, because the use of coke in blast-furnaces tends to diminish. However, hard-coal consumption in electric power-stations might continue to provide interesting sales prospects.

22. The deterioration in openings was bound to affect prices. As mentioned in Chapter I, the mines have had to take account, in their price policy, of the state of the market and the danger of a quickened replacement process. Nevertheless, Belgian and German producers have had to raise their prices owing to the increase in their cost prices. The increases applied by the Ruhr selling organizations were, according to the category, between 1.43 and 8.16 per cent as compared with former prices.

##### b) Reorganization and rationalization, cost and profit-earning trends

23. Over the past year, the Community coal industry pursued its rationalization efforts. This is, indeed, gratifying, for the state of the market and the pressure of competitive products makes it imperative that rationalization should be pursued. Substantial progress was made with regard to increasing productivity. In 1964, the average underground output per man/shift reached in the Community amounted to close on 2.3 tons, hence an increase of about 2.7 per cent. The increase in productivity was therefore lower than in 1963 when it was 4.6 per cent. This can, no doubt, be accounted for by the fact that the level of rationalization now reached by the collieries is in general so high that any further progress is rendered more difficult.

Moreover, labour fluctuations<sup>1)</sup> have also had adverse effects.

Productivity always varies from one basin to another. The average output per man/shift was 2.6 tons in the Federal Republic of Germany, 2.1 tons in the Netherlands and 1.8 tons in Belgium. Even within one country or one basin, these differences are very marked. Thus some mines have an average output of 5 tons per man/shift.

24. In 1964, the number of pits in operation fell from 270 to 264. The average daily output per pit amounted to 3,310 tons. If we consider that in 1957 416 pits still had an average daily output of 2,085 tons, we can measure the extent of rationalization already carried out. In this respect too, discrepancies between the various Community basins are quite considerable. Over the past few years, rationalization in collieries was mainly bearing on the mechanization of winning. In 1964 the contribution to production of fully mechanized pits reached 65 per cent (as against 38 per cent in 1960). Future efforts should mainly concentrate on the full mechanization of propping equipment and on the rationalization of mining as a whole.

25. All in all, it may be said that despite the extent of progress already achieved, collieries are still involved in a basic conversion process. This results, of course, in a particularly heavy burden for them. There has also been during the year under consideration a further increase in running expenses. Production costs in the Community have grown on average by 3.4 per cent from 1962 to 1963, and by 1.5 per cent from 1963 to 1964. This increase is mainly due to higher labour costs; however, for equipment expenditure too, the trend is plainly towards higher costs.

26. The shortage of miners was still felt in 1964. The number of underground workers decreased by 3.2 per cent.

27. The profit-earning capacity of the collieries improved in 1963 and, according to provisional calculations, it also improved in 1964. However, now as before, it is inadequate as receipts remain lower than the cost of production including amortization and capital service. This of course only applies to the mines as a whole, for in some enterprises the situation is quite satisfactory.

28. As already stated in Chapter I, there is no question of not assisting the Community collieries in their present sorry plight. The Member States are aware of this need and have, therefore, adopted a series of measures on behalf of their coalmining industries. The aim of the High Authority's decision

of 17 February 1965 is to standardize these measures under a Community system, but it realizes that further measures will have to be taken in order to ensure the future of the collieries.

The Economic and Financial Committee<sup>1)</sup> points out with regret that the Member States have not yet worked out a standard economic and social policy. In this connexion, it refers in particular to the sterile discussion on a Miner's Code and the lack of a common energy policy. It also stresses the fact that measures for the reconstruction and rationalization of mines are still being taken, for the most part, at the national level. Small wonder then that principles of national or private economic policy, rather than Community criteria, are applied for the conversion or rationalization of the industry and, in particular, for deciding on pit closures.

Since coal is increasingly subject to competition from other energy sources not covered by the E.C.S.C. Treaty, the Community has no longer any influence on the disposal of coal. Oil companies are not subject to the rules laid down in the Treaty with regard to prices; consequently, the colliery problem cannot be fully solved by a pricing policy. This can only be done by introducing a common energy policy.

#### c) *The general objectives*

29. The E.C.S.C. Treaty makes it binding upon the High Authority to establish general objectives for coal and steel. In its latest General Reports, the E.C.S.C. Executive has repeatedly explained why it has been unable to comply with this obligation. However, when the Twelfth General Report was discussed by the Economic and Financial Committee, the High Authority stated that it would be in a position, after the Protocol of 21 April 1964 had been adopted, to speed up work so as to submit the basis of the general objectives for coal by autumn 1964. It seems, however, that the High Authority has been unable to keep to its promise. In the Thirteenth General Report, it states its intention to publish the general objective for coal in the course of 1965 in spite of the difficulties with which it is faced. It is to be hoped that this aim will eventually be reached.

Since the General Report does not give any factual indication as to the direction of its new general objectives, it is as yet impossible to give a precise opinion. It should, nevertheless, be recorded with satisfaction that the High Authority intends to study the effects of the adaptation and rationalization of collieries on certain regions, and to give special attention to such regional problems in its general objectives for coal.

<sup>1)</sup> For further details see Chapter VII, section B.

<sup>1)</sup> See Opinion of the Economic and Financial Committee, Doc. PE 13777/fin.

It should also be stressed that the general objectives should not be based on a short-term view, limited to a few years. The essential requirement here is to achieve true political objectives, for which the High Authority, in co-operation with the departments concerned in the Member States, will have to use all its authority and all the means available to it.

## B — *The common market for steel*

### a) *Market trends*

30. The Community steel industry enjoyed a vigorous recrudescence of activity in 1964. Crude-steel production, which was stagnating in previous years at a level of 73 million tons, soared to 82.8 million tons. Its rate of growth has therefore been twice as large as that of the whole of industrial production. It should also be borne in mind that the rate of growth of the steel industry from 1960 to 1964 was definitely lower than that of industrial production. From 1960 to 1964, industrial production increased annually by 6.1 per cent while crude steel production only increased on average by 3.1 per cent per annum. This trend may be ascribed in part to a sagging of net crude-steel exports but also in part to the fact that steel consumption increased slower than industrial production.

Steel production has risen in all Community countries except Italy. However, there are certain differences in the growth rates. The lower production recorded in Italy is due to the general economic situation in that country. It should be observed, however, that according to the latest information, Italian production too has made a marked recovery since the first months of 1965.

31. The actual consumption of the Community's industry went up from 65.1 million tons of crude steel in 1963 to 68.7 million tons in 1964. Its progress did not therefore keep pace with that of production and only contributed in part to reviving the steel industry. Other factors of expansion were the increase in crude-steel exports, which went up from 12 million tons in 1963 to 13.9 million tons in 1964, a slight falling-off in steel imports and the replenishment of producer and consumer stocks.

In its Opinion, the Economic and Financial Committee pointed out that the increase in consumer stocks may have a delaying effect on future expansion. However, information received on the volume of orders and production during the first months of 1965 is encouraging, especially with regard to orders from third countries which, in March 1965, almost reached the exceptionally high level of the early part of 1964. But this development is due in part to speculative purchases made in the prospect of a possible strike in the American iron and steel industry. It is, therefore, by no means

certain that exports will remain an important long-term factor of expansion for the Community industry. Indeed, supply will remain high on the world steel market owing, in particular, to the construction of steel-works in countries which were hitherto steel importers and the emergence of new exporters in producer countries. Moreover, the introduction by the British Government of an import surcharge<sup>1)</sup> is slowing down Community exports. To this must be added the existence of abnormally-sized stocks.

It is therefore to be expected that, in the years to come, the steel industry will again be faced with certain difficulties.

32. The breakdown by production processes shows a further change during the period under consideration. The shares of acid Bessemer and open-hearth steels have decreased. On the other hand the production of oxygen-blown steels rose from 7.5 million tons in 1963 to 12 million tons in 1964. Notwithstanding this increase, only 18 per cent of crude steel produced in the Community in 1964 was the result of oxygen-blown production. The reconstruction of plants with a view to using this modern technique is much more advanced in other steel producer countries.

With regard to the Community, it may be expected that by 1967 26 per cent of the production capacity will be based on the oxygen-blown steel manufacturing process. Thus the result anticipated in the General Objectives for 1965 would only be obtained in 1967. When drawing up its General Objectives for steel, the High Authority will have to give careful consideration to the problem of adjustment to the new process. In this respect, it will be advisable to take account not only of the technical advantages afforded by this process and its various alternatives, but also of a number of other factors. In particular, it will be necessary to consider the possible effects of an increasing use of this process on the scrap market as well as on the utilization of Community ores. It must also be borne in mind that profit-earning capacity calculations play a significant part in every enterprise. The statements that will be made in the General Objectives for steel are therefore eagerly awaited. They should be published this year in connexion with the oxygen-blown process of production. These statements will constitute the mainstay of any final judgment on the matter.

33. During the period under consideration, intra-Community trade increased almost at the same rate as production. The rate of market 'interpenetration' thus reached 22.7 per cent as against 23.4 per cent in 1963.

<sup>1)</sup> This surcharge, which was initially of 15 per cent, has meantime been reduced to 10 per cent.

34. In spite of the large increase in production, Community enterprises had no supply difficulties in regard to raw materials. Certain changes have, however, taken place. Iron ore production in the Community was kept up at about 77 million tons, although manpower was reduced by 3,500 people. Mining remains, however, well below the maximum level reached in 1960 *viz.* 89.5 million tons. While production decreased in the Federal Republic of Germany, it increased in France. In 1964 France actually provided 80 per cent of the Community's iron-ore production. Again, while Community production was going through a period of stagnation, iron-ore imports from third countries increased by 33.2 per cent. As early as 1964, Community ores used in its steel industry amounted to only 45 per cent. It is to be feared that this share will be further lessened in the course of the next few years. This trend is obviously a matter of concern as regards the dependability of supplies. For some years now the High Authority has been considering measures that might make it easier to convert the Community's iron mines. It has in fact contributed to the financing of a series of research projects in the ore sector. While no further funds were granted for this purpose last year<sup>1)</sup>, this year the High Authority is considering again the granting of financial aid. It is, moreover, endeavouring to provide some support to the mines by taking certain measures in the transport sector. Thus in 1964, it authorized or deferred certain special tariffs for ore transport by rail.

The Economic and Financial Committee points out, however, that the measures taken in the transport sector would not of themselves solve the problem of the iron mines. The long-term answer would not be provided by protectionist measures on behalf of Community iron mines but only by rationalization measures capable of ensuring the competitiveness of these mines.

The rationalization of iron mines, which has already produced appreciable results<sup>2)</sup> must therefore be vigorously pursued. It has become all the more urgent as in future years there will be a surplus supply of rich ores from overseas countries on the world market. The Community industries, with their comparatively low-graded ores, will have to make a sustained effort to adjust themselves to this development. The support measures taken by the High Authority are therefore to be welcomed. It is particularly important that technical research be encouraged in regard to iron mines and ore enrichment.<sup>3)</sup>

35. During the period covered by the report, the Community had no difficulty in securing its scrap supplies. Imports from third countries remained

more or less at the same level as in previous years. Community prices increased only very slightly whereas American prices increased considerably. Owing to the growing needs of the Community's steel industry and the higher scrap prices, the Governments of the Member States, in agreement with the High Authority, have re-enforced the prohibition to export scrap to third countries; this had been suspended until 31 May 1964.

36. The winding up of the scrap perequation machinery, in particular the recovery of debts due was pursued during the period under review. According to the High Authority, the work of checking final data is coming to an end. On the other hand, the recovery of amounts unduly paid to certain scrap merchants will probably have to go on for some time yet. It is not possible to express a substantiated opinion on the matter as the information provided in the General Report is, once again, highly inadequate. Last year already, this lack of information had been criticized in Mr. Nederhorst's report on the Twelfth General Report.<sup>1)</sup> No improvement having occurred, we are compelled to request the High Authority to provide the European Parliament with more details on the winding up of the scrap perequation machinery.

37. The profit-making capacity of enterprises improved over the past year. On the one hand, the better use made of means available led to lower costs and, on the other, the trend in prices was favourable to the steel industry. On the whole, published schedule prices remained unchanged. The improved situation is due to the fact that, last year, enterprises were able, to a fairly large extent, to fully apply—or at least with some approximation—schedule prices. There was a definite diminution in sales by alignment on third country quotations. The High Authority's action in regard to imports from third countries certainly contributed to stabilizing the steel market.

b) *The High Authority's action in the iron and steel sector*

38. In its Twelfth General Report, the High Authority outlined the measures it had taken to correct the steel market imbalance. These measures are dealt with in detail in Chapter VI of this report. It may be accepted that they had a stabilizing effect on the Community's steel market.

39. Among the measures taken by the High Authority regarding the internal operation of the Common Market, we would mention in particular an initiative taken with a view to extending the High Authority's powers of control over prices. The High Authority's powers are inadequate in that it

<sup>1)</sup> See Chapter VI, section B.

<sup>2)</sup> See paragraph 152 of the General Report.

<sup>3)</sup> See Chapter VI, section B.

<sup>1)</sup> See Doc. 44/1964-1965.

is unable to exercise control over prices charged by enterprises that are not directly subject to the Treaty's provisions. The High Authority is not in a position at present to ascertain in every case whether the Treaty's pricing regulations are complied with. A Committee set up by the Council of Ministers is now exploring, in agreement with the High Authority, the possibility of introducing, in regard to such control, some form of co-operation between the High Authority and the authorities concerned in the Member States. The study of this important question should be speeded up and lead as soon as possible to a decision.

40. Moreover, during the period under review the High Authority has checked whether certain fiscal measures taken by two Member States in regard to the import and export of E.C.S.C. products were compatible with the Treaty. It is absolutely essential that the High Authority should continue to watch this situation and to ensure that intra-Community trade is not hampered by unwarranted fiscal charges. However, only by dismantling fiscal barriers within the Community could a final solution be found to this problem. This is one of the instances where partial integration comes up against barriers resulting from the Treaty's limitations.

41. In order to stimulate steel consumption, the High Authority organized a Steel Congress which was held in Luxembourg from 28 to 30 October 1964. The Congress was attended by over 1200 people, including architects, engineers, scientists, civil servants and steel producers and users. The High Authority reaped a great many valuable results which are described in detail in paragraphs 192 and 197 of its Report. The High Authority should be congratulated on this initiative. The psychological and political effects of such an action by one of the European Community institutions are no less important than the technical and economic results. Suffice it to say that the Congress was very well received by the spheres concerned and is still being commented upon in the technical press.

#### c) *The General Objectives*

42. The High Authority will, this year again, submit a new set of General Objectives for steel for 1970. It proposes to draw up estimates of steel requirements according to a sector-by-sector method.

In its Opinion<sup>1)</sup>, the Economic and Financial Committee stated its agreement with this method. According to information provided by the High Authority in its Thirteenth General Report, there might be a slightly less favourable trend for the steel industry between 1965 and 1970 than up to

<sup>1)</sup> See Doc. PE 13777/fin.

now. Industrial expansion might slacken somewhat while large consumer sectors would probably not continue to expand at the same rate. Moreover, because of technical developments, a further decline in the specific consumption of steel must be expected. For a variety of reasons it is difficult to forecast Community steel exports up to 1970. In co-operation with technical experts from the six countries, the High Authority is endeavouring to investigate more closely all contributory factors. An overall survey of the situation leads to the conclusion that in forthcoming years it will be more important for the Community's iron and steel industry to rationalize and modernize its production than to ensure a fast growth of its output capacity.

43. In its Political Report, the High Authority states that the General Objectives are an integral part of the Community's industrial policy. This is a point of view which may be accepted. The General Objectives constitute a kind of reference point for enterprises and for the measures to be taken by the High Authority, particularly in the research and investment sectors.

In view of the uncertainty regarding the sale of steel, and especially regarding exports, it is necessary every year to adjust the General Objectives to changed circumstances. The obligation to declare investment programmes of some importance as well as surveys made every year by the High Authority in respect of investments provide the High Authority with an excellent basis for carrying out such adjustments. The General Objectives must direct efforts towards increased productivity. They are the foundation of mean-term economic policy. The Economic and Financial Committee stresses in particular the fact that the General Objectives do not have a mandatory character and in no way hamper the freedom of action of heads of enterprises. The General Objectives therefore represent an essential aspect of our liberal economic system. When the Executives are merged, it will be necessary, as pointed out by the Economic and Financial Committee, to pursue, in accordance with mean-term economic policy, the E.C.S.C. policy with regard to setting general objectives and declaring investments by enterprises, as well as with regard to loans granted to the coal and steel industries, and to consider whether these measures should be extended to other economic sectors.

### Chapter III

#### Competition policy

##### A — *General considerations*

44. When the Twelfth General Report was discussed last year, the High Authority was criticized for not having outlined its overall policy on cartels

and concentrations.<sup>1)</sup> In this respect, it is gratifying to find that the position has improved considerably during the period covered by the Report. In E.C.S.C. Bulletin No. 47, the High Authority gave a full picture of its policy in this matter. Moreover, it supplied ample information to the Internal Market Committee and exchanged views with it on these problems. Finally, provision has been made for the member of the High Authority concerned to report on E.C.S.C. competition policy to the plenary assembly of the European Parliament.

The Internal Market Committee proposes to submit in the near future a special report on matters relating to competition policy. Under the circumstances, your Rapporteur considers it logical to confine himself in this report to a brief outline of the problems involved and a survey of the High Authority's practical activities during the period covered by the Report.

### B — Cartels

45. The most important problem recently referred to the High Authority concerns, as is known, the setting up of two Ruhr coalselling Agencies. By its ruling of 15 July 1964, the Court of Justice of the European Communities rejected the appeal made by a Member State against authorizing the selling-agencies. The setting up of the two agencies has thus been legally confirmed.

The High Authority's task is to check constantly whether the activities of the agencies are in accordance with the Treaty regulations. As we know, the High Authority entrusted Professor Müller-Armack with the responsibility for such control. In its General Report, the High Authority states that it is expecting a full report on the first control period.

Similarly, Mr. Léon Daum is continuing to control the activities of A.T.I.C. (Association technique de l'importation charbonnière) at the High Authority's request, and is submitting reports to the High Authority at regular intervals. It is gratifying that the High Authority was able to entrust these important duties to such prominent personalities as Mr. Müller-Armack and Mr. Daum. On the other hand, it is regrettable that practically no mention is made in the General Report of the results of checks carried out. The European Parliament is accordingly not in a position to pronounce on this important issue.

46. The Internal Market Committee<sup>2)</sup> observes in this connexion that, following the above-mentioned

<sup>1)</sup> General report by Mr. Nederhorst, Doc. 44/1964-1965, paragraph 71; Resolution of the European Parliament on the Twelfth General Report, paragraph 14; Official Gazette of the European Communities No. 109 of 9 July 1964.

<sup>2)</sup> See Opinion of the Internal Market Committee on the Thirteenth General Report on the Activities of the E.C.S.C., Doc. PE 13746, paragraph 8.

ruling of the Court of Justice regarding the two Ruhr coal-selling agencies, there are now definite criteria concerning the High Authority's cartel policy. In its ruling of 15 July 1964, the Court of Justice stated in particular that in an oligopolistic market characterized by price transparency, there is a certain immobility in prices which is almost inevitable even when economic units are competing with one another. In addition, the degree of competition required by the Treaty may change in relation to market conditions.

An essential factor in this respect is that coal is subject to competition from other products and that consumers are therefore in a position to resort, if need be, to rival products. Furthermore, the effects of a cartel depend on the size of the market and of the economic units competing on that market; the size of a cartel is only important in relation to these different factors. For the immediate future, the Internal Market Committee recommends that the result achieved should not be constantly questioned but that attention should be given to the practical activities of the selling agencies and to the results of the control exercised over these activities. Advantage should therefore be taken of the results. As pointed out by the Internal Market Committee, the continuous development of structures on the energy market also entails a constant modification of the criteria applicable to selling agencies.

47. The General Report mentions, in addition, that proceedings are now in progress before the Court of Justice of Luxembourg regarding the co-operation between the Oberrheinische Kohlenunion (OKU) and the Société rhénane d'exploitation et de manutention (Soréma). To express an opinion on the matter, it is therefore necessary to wait for the Court's ruling.

### C — Concentrations

48. During the period covered by the Report, the High Authority authorized a fairly large number of concentrations of Community enterprises. Some of these concentrations are negligible while others are quite important. The latter are fairly well accounted for in the High Authority's Report but there is still room for more details. In any case, the Report gives at least a general idea of all the factors that should be taken into account when the proposed concentration assumes an appreciable volume. It should be stressed in this connexion that the High Authority has again made use of its power to subordinate concentration authorizations to certain conditions. These concern incompatibilities between certain personal links.

This procedure has been tentatively approved by the Internal Market Committee. In its Opinion, the Committee states that the High Authority should, in its decisions relating to concentrations,

also take account of the general structure of the branch of industry of the Member State concerned, and in the case of enterprises that are absolutely distinct from one another, apply different criteria from those used when there are numerous financial, legal or personal links between these enterprises.

In order to obtain a general view of the situation in this field, the Internal Market Committee has asked the High Authority to submit as soon as possible a comprehensive survey of the structure of Community industries and to take into account any financial and personal links between enterprises. It has also requested the High Authority not to lose sight of the fact that State enterprises, while legally distinct, should be regarded as merged from the point of view of market policy since they are, in the last analysis, equally subject to control from the public authorities.

49. In decisions concerning concentrations of enterprises, the question of the optimum size of enterprises plays an increasingly important part. Public opinion feels more and more that Common Market enterprises should be in keeping, as regards size and capital, with a market of 180 million people. In this connexion, reference is often made to firms in some third countries, particularly the United States of America.

The Internal Market Committee is also dealing with this question in its Opinion. It emphasizes, in particular, the importance of technical development which requires increasingly large production units since some modern plants only become profit-earning when they have reached a fairly high production level. Thus a modern wide-strip mill will produce two to three million tons of rolled steel per annum. And as it is in the interest of the undertaking not to restrict its capacity to a single production line, such as rolled steel, the Internal Market Committee logically concludes that an integrated steel-works should nowadays be able to produce more than 6 million tons of steel per annum to reach its optimum size. The Committee also mentions that, as compared with large groups in other countries, Community enterprises are on average relatively small.

It is no doubt a good thing that public opinion is gradually giving up the hitherto widely spread idea that one should distrust a large undertaking precisely because it is large. The emergence of a wider market entails a new approach to the assessment of the size of enterprises.

Similarly, the problem of research plays an important part; small enterprises are not always in a position to appropriate substantial funds to the research projects called for by modern technical developments. It should be added, however, that in this respect, small and medium enterprises are being offered possibilities which are not yet sufficiently used in Europe. Your Rapporteur refers in

particular to joint research work undertaken by several enterprises and to closer co-operation between universities and scientific establishments. In the United States, ways and means have been found for this purpose and these have led to highly conclusive results.

50. In view of the importance of these questions for the economic future of Europe, there is every reason to be satisfied with the fact that in its Political Report<sup>1)</sup> the High Authority has expressed the intention to pursue the valuable efforts it has already made with a view to analyzing market structures and gathering data which could be used in order to settle the point concerning the optimum size of enterprises.

#### D — Pricing regulations

51. During the period covered by this report, the High Authority also carried out permanent checks to ensure that enterprises were properly complying with Treaty provisions and implementing regulations. It paid particular attention to compliance with pricing provisions. In some cases, it had to penalize certain enterprises.

In connexion with pricing regulations, the Internal Market Committee wondered whether the pricing system provided for in Article 60 of the Treaty was really contributing to a stabilization of the steel market. The point of view put forward by the High Authority to the Committee is that it would not be possible to give a definite opinion on the value of Article 60 as regards economic policy as this largely depends on market trends.

The Committee also wondered whether the experience hitherto gained with the E.C.S.C. system warranted further use of this system in the new treaty that would be established when the Communities were merged. The Internal Market Committee considers in its Opinion that there are still a number of objections to a solution of this kind since the pricing regulations laid down in the E.C.S.C. Treaty could in no case apply to the whole of the consumer goods industry. Hence the E.C.S.C. pricing system could only be included in the single treaty for specific economic sectors of a special nature. This problem will be reconsidered in detail when the single treaty is drafted.

### Chapter IV

#### Transport policy

##### A — Publication of rates and conditions of carriage

52. Article 70, sub-section 3, of the Treaty setting up the E.C.S.C. prescribes the publication of rates

<sup>1)</sup> See part 2, paragraph 9.

and conditions of carriage applicable to the transport of coal and steel. The importance of this provision from the point of view of the general significance of the Treaty is beyond question. The publication of rates is a decisive instrument for achieving other Treaty objectives, particularly with regard to the prohibition of discrimination and the implementation of the provisions of Article 60 regarding prices. The fact that up till now the principle of publishing rates has only been very inadequately applied must be regarded with some concern.

For a number of years the High Authority has been trying to remedy this regrettable state of affairs. It will be recalled that it had already tried to solve the problem through its Decision no. 18/59<sup>1)</sup> of March 1959. When this Decision was invalidated by the Court of Justice on appeals made by the Dutch and Italian Governments on the grounds of a breach of essential formal rules<sup>2)</sup> and after the adoption by the High Authority of Recommendation No. 1/61<sup>3)</sup> and the dismissal of a further appeal by the Court of Justice (12 July 1962)<sup>4)</sup>, it could have been hoped that after having wasted more than three years in proceedings it would be possible to guarantee the transparency of the transport market at an early date. However, these hopes proved vain as the problem of the publication of rates has still not been settled.

The Member States appear to be rather reluctant to comply with the obligations laid upon them by Recommendation No. 1/61. During the negotiations with Member States which have been pursued uninterruptedly during the period covered by the Report, the High Authority has again tried to overcome the resistance with which it is meeting. It seems that some progress was made during these negotiations, but no final decision has been reached.

In its Opinion, the Transport Committee deplores this state of affairs.<sup>5)</sup>

53. It should be pointed out in particular that in Italy, Luxembourg and Belgium the implementation of Recommendation No. 1/61 implies a legislative procedure entailing relatively long delays. Some results have, however, been obtained.

Thus, in 1964, the Italian Parliament passed a bill bearing on the prior publication by road carriers—with a limited uncertainty margin—of their transport rates and terms.

With regard to the procedure followed in the Grand Duchy of Luxembourg, a draft law on road transport was the subject of an initial vote in the

Chamber of Deputies on 18 November 1964, but as a result of the attitude of the Council of State a second vote became necessary. The Chamber of Deputies of Luxembourg confirmed the first vote on this draft law on 30 March 1965.<sup>1)</sup>

In the Federal Republic of Germany and in France, a solution still remains to be found to the problem of road transport over medium distances. The High Authority regards the publication of rates as essential for all road transport beyond 50 km., while in Germany and France transport over distances of up to 100 and 150 km. does not come under the road transport schedule. There is therefore a gap in the rate publication system for medium distances between 50 and 150 km.

54. Negotiations with the Netherlands were the trickiest as in that country a very large proportion of goods transport is carried out on the basis of contracts whose rates and terms are not published. The General Report of the High Authority deals with these negotiations.<sup>2)</sup> It seems that agreement has been achieved to some extent on a highly differentiated publication system. It would appear that the High Authority intends to authorize the measures contemplated for a trial period, subject to certain conditions and reservations. With regard to rail transport conditions, it should be mentioned that unpublished agreements will not be accepted unless they are justified by actual competition from another means of transport. In addition, the High Authority proposes to accept this system of publication for experimental purposes only. In order to meet the formal regulations laid down by the Court of Justice, Recommendation No. 1/61 only refers to the publication of rates and not to pricing and transport terms. This represents a procedural difficulty. The High Authority is therefore reserving its position, particularly in regard to the regulation on non-discrimination, the establishment of international through-rates and the adjustment of transport rates and terms.

The Transport Committee feels that these reservations are justified and stresses the need for a proper implementation of the publication system advocated by the Netherlands.

The reservations entered by the High Authority show that there are serious misgivings as to the compatibility of the proposed solution with the Treaty. One must seriously consider whether, in

<sup>1)</sup> See Official Gazette of the European Communities of 7 March 1959.

<sup>2)</sup> See Cases Nos. 20/59 and 25/59, "Recueil de la jurisprudence de la Cour", Vol. VI, pages 681 and 743.

<sup>3)</sup> See Official Gazette of the European Communities of 9 March 1961.

<sup>4)</sup> See Case No. 9/61, "Recueil de la jurisprudence de la Cour", Vol. VIII, page 433.

<sup>5)</sup> See Opinion of the Transport Committee, Doc. PE 13709/fin.

<sup>1)</sup> See Chamber of Deputies, draft law on road transport No. 896, including amendments 896,1 to 896,3 of 18 December 1961.

Opinions of the Council of State No. 896,4 of 1 October 1963 and No. 896,5 of 6 March 1964. Report by Mr. Bech, No. 896,6 of 20 April 1964.

The negative attitude of the Council of State regarding the Government's project was not aimed at the provisions that had been included in the draft law in accordance with obligations arising from the Community Treaties. It was rather actuated by the Council's misgivings, from the point of view of economic policy and constitutional law, regarding the advisability of further measures provided for in the draft law and in particular the obligation to apply for authorization before carrying out international traffic transport.

<sup>2)</sup> See paragraphs 236 to 241.

trying to find a compromise, one has not already departed too much from the Treaty provisions and the rulings of the Court of Justice which are quite explicit. Only the results obtained will make it possible to form a final judgment on the proposed system. Owing to the complex and novel nature of some of the proposed measures, no one is as yet in a position to foresee their repercussions.

The European Parliament trusts that its Transport Committee will be enabled to follow very closely developments in this particular situation.

55. With regard to international transport, the High Authority states that multilateral contacts should be arranged with a view to finding solutions to "certain problems"—to use the High Authority's own words (paragraph 244)—such as those relating to Rhine transport, transport on inland waterways lying West of the Rhine and international road haulage.

Certain Member States hope that international through-rates applicable to road haulage will be introduced; these tariffs would automatically settle the problem of rate publication. The Transport Committee wishes to be informed in detail on the progress of work on this question.

56. To sum up, it seems that despite some progress a satisfactory solution to the problem of rate publication is still a long way off. The High Authority itself states in this connexion that full implementation of Recommendation No. 1/61 will require continuous action for a long time to come. As stated by the Transport Committee in its Opinion, it would be both desirable and urgent for this period not to extend again over several years. This is actually a matter of applying a clearly-worded Treaty provision that has been clearly interpreted by the Court of Justice. Any further long delay would therefore be intolerable. It is incumbent upon the High Authority to constrain the States concerned to fulfil their obligations by availing themselves of all the means put at their disposal by the Treaty.

#### B — *Special tariff measures*

57. Important decisions are to be taken in connexion with special tariff measures. In particular, the High Authority will be studying "potentially competitive" tariffs applicable in the Saar, which cause further problems.

58. During the period covered by this report, one new decision only was taken. This authorizes the implementation of a special tariff for iron ore carried from the Damme mine to the Ruhr. The authorization concerning the SNCF/USINOR tariff agreement on iron ore carriage has been deferred. These two tariffs were authorized as tariffs intended

to facilitate the maintenance of traffic in the interest of the carrier. However, the High Authority has interpreted the concept of interest in maintaining a particular traffic in a sense that is rather governed by social and regional policy considerations. It is obvious that, as compared with its previous attitude, the High Authority has revised its policy on this matter.

However, it is necessary to ensure that the implementation of this policy does not give rise to any impairment of the conditions of competition. The scope of the Treaty provisions on transport may be summed up by saying that one must avoid any impairment of the conditions of competition. During the debate in the Transport Committee, the High Authority made it quite clear that it is taking full account of this imperative condition whenever it has to authorize special tariff measures.

59. It goes without saying that the above-mentioned considerations also apply to road transport. The High Authority being now engaged on a survey of special tariffs applied in countries where road haulage tariffs exist. Up till now, two French scales of tariffs applicable to road haulage have been prohibited.

#### C — *Rhine navigation*

60. During the period covered by the report, Rhine transport problems have remained in the foreground. Negotiations were carried out on the application or revision of the Petersberg agreement which goes back to 1957. This agreement provides for the continuous adjustment of freight levels applicable to inland water transport to the level of freights freely established for international transport.<sup>1)</sup> It should be recalled that up till now this agreement has not been implemented and that the Federal Government initiated negotiations in 1960 with a view to adapting it to the present situation.<sup>2)</sup> These negotiations have not yet been brought to a successful conclusion. The Central Commission for Navigation of the Rhine, which was also consulted, published in October 1964 the results of the economic conference on Rhine navigation. The conference was in favour of organizing a comprehensive system for all Rhine transport as this would make it possible to set up a single Rhine shipping market. The conference further considers that this procedure would ensure standard freight rates, for there would be no differentiation between inland and international water transport. This Opinion of the economic conference certainly contains interesting proposals and should therefore be thoroughly examined by the High Authority. However, as pointed out by the High Authority at a Transport Committee

<sup>1)</sup> See Official Gazette of the European Communities of 1 February 1958.

<sup>2)</sup> See Twelfth General Report, paragraph 277.

meeting, the Treaty provisions require not only the elimination of any discrimination between inland and international transport, but also the publication of freight rates.

61. The High Authority appears to be optimistic in that it finds (paragraph 258) that this aim could be achieved without adjusting the Mannheim Act, since publication of freight rates and conditions of transport applicable on the Rhine for coal and steel are not an obstacle to freedom of navigation nor a breach of the principle of equal treatment referred to in Article 4 of the Mannheim Act.

As for the European Parliament, it has repeatedly advocated the introduction of a standard system for all European inland waterways, including waterways west of the Rhine, the Moselle and German canals; this would presumably imply an adjustment of the Mannheim Act to present requirements and an extension of its field of application to all waterways.

62. In short, the Treaty objectives on transport are far from being fulfilled. The High Authority states in its Political Report that it intends to take further measures with a view to achieving these aims. It is particularly gratifying to note that the High Authority is determined to use all available legal means under the Treaty in order to ensure the transparency of the transport market. Only by doing so will the High Authority be able to tackle the problem of eliminating remaining discriminations.

63. The establishment of international through tariffs for road transport are yet a further problem which the High Authority must tackle. International transport between States applying a road transport tariff and invoking the principles of territoriality is coming up against a divided system of tariffication as in each country the domestic tariff must be applied. Bilateral negotiations on this subject are in progress between Germany and France. The High Authority should ensure that Treaty regulations are not lost sight of during these negotiations. It is not yet possible to say what conclusions will be drawn from these negotiations by countries that apply the nationality principle, whose application does not entail a divided tariffication.

64. The High Authority should pursue its task in close co-operation with the E.E.C. Commission, in particular on the Inter-Executive Working Party. Here again, it is to be hoped that the merger of the Executives will make it easier to overcome these difficulties, although it would be illusive to imagine that the merger would of itself provide a solution to technical problems.

65. The various systems provided for in the Rome and Paris Treaties will remain in force until the Communities are merged; their dual nature will therefore prevail for the time being on the transport market. This situation will not necessarily have negative effects on the remaining part of the transitional period; on the contrary, it might also have positive effects as long as good use is made of the experience gained in applying the provisions of the Treaty setting up the E.C.S.C. in order to adopt measures to be taken under the future single Treaty. As a matter of fact, the question of determining which particular provisions of the Paris and Rome Treaties should be embodied in the new treaty will arise during the preliminary work in connexion with the merger of the Communities and it is by no means out of the question that some differentiation might be retained between provisions governing transport of coal and steel products and provisions governing transport in general; indeed, the strict regulations of the Rome Treaty, which are not incompatible with the provisions of the Paris Treaty but in fact go beyond the latter, were adopted in the light of the whole pricing system of the E.C.S.C. and cannot be amended outside this system.

The experience gained over the past thirteen years by the High Authority may prove extremely useful when decisions will have to be taken on this matter.

## Chapter V

### The Community's external relations

#### A — *External relations in general*

66. The E.C.S.C. Treaty grants very limited powers to the Community in regard to commercial policy; in general, commercial policy is still within the competence of Member States. Experience has shown that this is a serious gap in the Treaty. In fact, commercial policy is much too closely linked to the organization of the internal market to be separated from it.

Moreover, the development of the European Economic Community clearly reveals this lacuna in the E.C.S.C. Treaty. The E.E.C. Treaty definitely provides for a Community commercial policy. It would be inconceivable for external relations to remain indefinitely the prerogative of Member States with regard to E.C.S.C. products when, for all other economic sectors, they are determined at Community level.

67. The High Authority is fully aware of this. The Member States too admit, in principle, the need for a common commercial policy. Paragraph 5 of the Protocol on energy problems of 21 April 1964

bears witness to the resolve of the Member States to pursue their efforts with a view to introducing a common commercial policy for the various energy sources. However, it is a far cry from uttering a statement of principle to taking positive political measures.

There are still considerable differences between the tariff systems and the commercial policies applied by the various Member States in the coal sector. In its Political Report<sup>1)</sup>, the High Authority expressed the hope that the consultations between the six Governments provided for in Article 10 of the Protocol would make it possible to co-ordinate coal import policies.

68. This hope is certainly not unjustified, but its achievement presupposes that the Governments will display the firm political resolve to implement the Protocol. For the first time, the Governments have undertaken in the Protocol — and this is what makes this document so important—to work out a common energy policy and consequently a commercial policy applicable to the energy sector.<sup>2)</sup> This is a considerable step ahead for the Community cannot avoid the need for a common energy policy. A common commercial policy in the energy sector implies the existence of a general doctrine as to the Community's energy policy. The difficulty lies precisely in this interpenetration of problems which characterizes the energy sector. But this is also where the Community's chance lies, for the inadequacy of partial measures derives from the very nature of things and the dynamism of the process of economic integration calls for comprehensive solutions at Community level. This does not exclude the possibility to take, where necessary and applicable, certain transitional or emergency measures akin to commercial policy measures; but in the long run problems can only be solved on the basis of a general doctrine.

69. In contrast to the coal sector, the Community has recently taken a series of practical measures which have resulted in greater unity in external trade policy concerning iron and steel products. To deal with the difficulties in the iron and steel industry the High Authority has shown neither diffidence nor hesitation in making the most of its severely limited jurisdiction over trade policy; the measures it has taken are:

- Recommendation No. 1/64 of 15 January 1964 to give greater import protection to peripheral iron and steel products.<sup>3)</sup> As a result of this Recommendation, the customs duties applied by the Member States on iron and steel products have been brought to the Italian customs duty level (averaging 9 %);

- Recommendation No. 2/64 of 15 January 1964<sup>1)</sup> concerning the introduction of specific protection on imports of foundry pig-iron; this Recommendation advocates the application up to 13 December 1965 of an additional specific duty amounting to not less than 7 account units per metric ton of foundry pig-iron;
- provisions restricting imports of iron and steel products from State-trading countries, supplemented by a Decision, N. 1/64 of 15 January 1964<sup>1)</sup>, prohibiting alignment on prices quoted by these countries; these provisions were extended, on 10 December 1964, until 31 December 1965.

The High Authority was ready, in special cases, to waive the obligation to increase customs duties. It did so in ten cases in 1964, on various grounds, *viz.*: that the products were not manufactured in sufficient quantity or at all in the Community, that the products were supplied to subsidiary companies registered in the E.C.S.C. by parent companies outside the Community or that the products came under long-term supply contracts.

70. The success of the High Authority—achieved by making the most of its limited powers—in standardizing the situation in the Community, is to be welcomed. Politically speaking, therefore, the initiative shown by the High Authority may be regarded as timely.<sup>2)</sup> Economically speaking, we have to reserve judgment: were the measures taken by the High Authority essential? Should they remain in force? On grounds both of expediency and principle, trade policy should be non-protectorial and this is the stand that the European Parliament has always taken; it reiterated this view in its Resolution on the 12th General Report of the E.C.S.C.

71. When the European Parliament came to examine the 13th General Report, therefore, it entered reservations concerning the tariff measures taken by the High Authority. It was pointed out, for instance, that the iron and steel market had already become much firmer, even before these measures came into force.

The Economic and Financial Committee is, however, convinced<sup>3)</sup> that these measures have helped to stabilize the Community's iron and steel market, arguing that the covert dumping of iron and steel products on the Community market practised in recent years by certain non-Member countries has steadily depressed prices and, through the alignment of Community producer prices on prices quoted by non-Member countries, cut the profits of the iron and steel industries.

<sup>1)</sup> See part two, paragraph 4.

<sup>2)</sup> See Opinion of the Political Committee, Doc. PE 13889.

<sup>3)</sup> Official Gazette of the European Communities No. 8 of 22 January 1964.

<sup>1)</sup> Official Gazette of the European Communities No. 8 of 22 January 1964.

<sup>2)</sup> See Political Committee Opinion (Doc. PE 13889) and External Trade Committee Opinion (Doc. PE 13842).

<sup>3)</sup> See Opinion of the Economic and Financial Committee (PE 13777/fin).

72. A trade policy, of course cannot consist in increasing or even standardizing customs duties alone, though the alignment of customs duties on a common level operated by the Member States is undoubtedly one of the constituent parts of a common trade policy. Hence the measures taken by the High Authority do represent a step towards the implementation of such a policy. Under certain conditions furthermore, the Community steel industry cannot entirely dispense with customs protection measures and, if kept within reasonable bounds, these cannot be regarded as protectionist. It also needs to be remembered that the Community is very exposed to competition from third countries for two reasons: its many seaboard frontiers and the E.C.S.C. Treaty rules on price publication. Again, Community customs duties were still lower than the rates applied by the other major manufacturing countries even after the High Authority measures came into effect; they may therefore still be described as moderate. Finally, an increase in duties is justified by the situation on the world and Community iron and steel markets. The final rate of customs duties will, as a matter of fact, have to be discussed at the Kennedy negotiations and, as stated by the High Authority in its Political Report<sup>1)</sup>, the standardization of Community customs duties will, through the medium of these negotiations, have to be licked into shape once and for all. The High Authority aims, at the Kennedy Round, to achieve a substantial approximation of the protection measures in force in the main iron and steel producer countries; we can but endorse this aim.

73. Community steel exports had a good year: increasing, as stated in Chapter II, from 12 million tons to 13.9 million tons. This was still below the record figure of 14.4 million tons in 1960. Steel imports fell slightly from 4.2 to 3.7 million tons.

74. On 26 October 1964, the British Government decided, as part of its drive to improve its balance of payments, to introduce an import surcharge of 15 per cent. This affects all iron and steel products from the Community. It is to be regretted that the British Government did not then comply with its obligation under Article 3 of the 1957 Agreement, which provides for consultations prior to any increase in customs duties on the part of either Contracting Party.

75. In November 1964 the High Authority, acting on behalf of the Member States, laid down the basic customs duties to be taken into consideration at the G.A.T.T. tariff negotiations. It is fortunate that the Member States reached agreement on a common tariff for negotiating purposes. The Member States have asked the High Authority to be

their spokesman at the negotiations. This is also to be welcomed. It goes without saying that during the negotiations the High Authority will have to co-operate closely with the E.E.C. Commission whose mandate to negotiate for the E.E.C. comes from the Treaty of Rome. The Community should negotiate by reference to the complete range of Community products, whether they come under the jurisdiction of the E.E.C. or of the E.C.S.C.

The External Trade Committee<sup>1)</sup> points out that the G.A.T.T. negotiations will also deal with "para-tariff" obstacles to trade, the significance of which has already been emphasized by the European Parliament. The Committee trusts that the High Authority will make a clearer statement of its position here, especially in view of the need to renew Recommendations Nos. 1/64 and 2/64 to which reference has already been made.

76. The High Authority has this year endeavoured to consolidate and develop its relations with third countries and international organizations. In particular, it set up a liaison office in Latin America. The headquarters of this office is in Santiago (Chile) because various Latin-American organizations have their headquarters there too, in particular the United Nations Economic Commission for Latin America (C.E.P.A.L.) and the Latin-American Iron and Steel Institute (I.L.A.F.A.). The efforts of the High Authority to give more tangible form to its relations with Latin America are to be welcomed. The High Authority has also tried to strengthen its links with existing international organizations, and this too is of value.

#### B — Relations with developing countries

77. The High Authority was represented at the constituent meeting of the Parliamentary Conference of the Association between the European Economic Commission and the Associated African and Malagasy States held in Dakar from 8 to 11 December 1964. It is worth remembering that the Parliamentary Conference of the Association expressed the hope on that occasion that the E.C.S.C. would take an active part in the life of the renewed Association and continue its prospecting activity and studies into possible uses for deposits discovered, as well as its work in training staff.

78. Unfortunately the High Authority was this year unable to do very much in this connexion, mainly because the schemes submitted were not really justified from the economic standpoint. The General Report has therefore nothing new to report on prospecting in West Africa, although the High Authority has announced that 220,000 units of account have been ear-marked for this purpose.

<sup>1)</sup> See Part Two, Section 3.

<sup>1)</sup> See External Trade Committee Opinion, Doc. PE 13842.

The Committee for Co-operation with Developing Countries welcomed this statement. It points out, however, that certain North American companies are much more active in prospecting for iron ore in Africa and they have already cornered appreciable reserves.<sup>1)</sup> The Committee also points out that the development of reserves of raw materials should not be the sole consideration in connexion with prospecting in Africa; it should be seen principally as a contribution towards the development of the countries concerned. The Europe of the Six has assumed a special responsibility for certain developing countries and it would be regrettable if the E.C.S.C. were to stand aside here.

The Committee for Co-operation with Developing Countries refers back to the suggestion it made when the 12th General Report was being examined to the effect that the High Authority should assume an active part in the occupational and technical training of managerial staffs in countries associated with the E.E.C.

The Committee therefore welcomes the recent High Authority decision to offer traineeships to nationals from the African States associated with the Community. These countries should be asked to select qualified trainees as soon as possible from those who have already attained a given occupational standard.

## Chapter VI

### Investment and technical research

#### A — *Investment*

79. Under Article 54 of the E.C.S.C. Treaty, the High Authority is required "to encourage the co-ordinated development of investments". The High Authority has endeavoured to do so in a number of ways. The articulation of General Objectives for Coal and Steel is the essential prerequisite here. The High Authority is, furthermore, able to provide an overall view of the investment schemes of enterprises from the surveys it makes each year. Where the investment schemes are on a substantial scale, the High Authority is given prior notice; it may offer advice to the firms concerned. It may also help to finance investment. This summary shows that articulating General Objectives is a basic requirement for effective action by the High Authority in directing investment. There are cases where action by the High Authority predicates criteria; the General Objectives fill this need.

80. In the period covered by the Report, investment by E.C.S.C. concerns was again at a fairly

high level. This was not as high as in the record year of 1963 when Community industries invested 1,800 million units of account, but to go by provisional figures—which tend to be fairly accurate—investment in 1964 totalled some 1,600 million units of account. Once again, the steel industry attracted the lion's share with 1,200 million units of account. The respective figures for the collieries and iron mines were 344 and 29 million units of account. There was thus no reversal during the period covered by the Report of the market trend in the E.C.S.C. for the brunt of investment to go to the steel industry.

Although, on the whole, Community investment reached a satisfactory level, it needs to be remembered that in the United States, iron and steel industry investment per worker is almost double the Community figure. This is of course because productivity in the American iron and steel industry is very much higher; hence the manpower-output ratio is much lower. This productivity leeway demonstrates how important it is for the Community to continue to invest, to rationalize the iron and steel industry.

81. With the exception of Italy and, to a lesser degree, France, none of the Community countries appears, in recent years, to have experienced any difficulty in raising capital. Only part of the investment funds come from the capital markets. Enterprises have to draw heavily on their own capital resources to finance investment and productivity does predetermine their investment capacity to a large extent. If productivity falls, so does investment capacity. In this connexion, the High Authority drew the attention of the Economic and Financial Committee to the fact investment usually rises in periods of full employment and high profits and falls during recessions as a result of the diminished investment financing capacity. Yet it is during recessions that investment is vital for the purposes of rationalization. Then again heavy investment made during boom periods on expanding a plant can lead to excess capacity. It is therefore significant that, in 1963, investment schemes brought to the notice of the High Authority fell to 203 million units of account—a very low level. (It must be repeated that enterprises only inform the High Authority of their investment schemes when they are of some moment.) Fortunately they rose again in 1964 to a total of 544 million units of account; the financial recovery of enterprises during the period covered by the Report was no doubt a contributory factor.

The Economic and Financial Committee Opinion<sup>1)</sup> stresses that it is as important as ever for the Community mining and steel industries to maintain a high level of investment. The probable ex-

<sup>1)</sup> See Opinion of the Committee for Co-operation with the Developing Countries, PE 13841.

<sup>1)</sup> See Opinion of the Economic and Financial Committee, Doc. PE 13777/fin.

pansion in demand and the likely trends in competition on the world market make it imperative to redouble efforts to modernize plant and increase productivity, and this applies both to the iron and steel industry and the collieries.

With reference to the iron and steel industry, the High Authority draws special attention to the work that needs to be done on the preparation of blast-furnace burdens, oxygen-blown production process and on rationalizing production and making it more specialized.

82. The High Authority continued its investment policy during the period covered by the Report, drawing on the means at its disposal. It advised on twelve new investment schemes. Its advice was addressed in three cases to collieries and in nine cases to firms in the iron and steel industry. Advice given by the High Authority is not binding on the enterprises to which it is addressed; the criticism that such advice smacks of "planned economy" methods is thus quite out of place here. In fact, it provides valuable guidance to firms taking investment decisions.

83. At the end of 1964, the total amount of loans granted by the High Authority was 580 million units of account, including 442.3 million units of account for industrial investment and loans for sundry projects, workers housing schemes, readaptation and technical research.

84. In 1964 the High Authority raised seven loans which yielded the appreciable amount of 127.8 million units of account. Unappropriated funds in hand from previous loans as well as funds from the repayment ahead of schedule of earlier loans brought the total funds available for loans to enterprises to 149.4 million units of account. Of this total the High Authority allocated 105.5 million units of account for industrial projects. It concentrated on projects most closely in line with its established scale of priorities. In the collieries, for example, its support went to investment on plant designed to increase productivity and to reduce cost prices, to pit-head power stations and to distant heating plant. In the iron and steel industry, investment assistance went to plant for preparing burdens, the development of pure oxygen-blown steel production and continuous-flow plant.

85. The current rate of interest charged by the High Authority is between 5.75 per cent and 6.50 per cent, or 1 to 3 per cent less than the rate on the capital markets. The Economic and Financial Committee emphasizes that this attractive interest rate is not the least of the reasons why enterprises seek loans from the High Authority. Community enterprises here benefit because the High Authority can act as a kind of clearing house between the

different capital markets with their varying rates of interest.

86. In its Political Report<sup>1)</sup> the High Authority points out that although it has lent nearly 500,000 million units of account over the past ten years, this only represents 5 per cent of the total amount invested by Community firms during this period. When the General Report was being discussed by the Economic and Financial Committee, it naturally stressed that firms only turn to the capital market for part of their investment capital, whereas they draw on their own resources for the rest. Consequently the amount lent by the High Authority should be set against the amount of investment capital raised on the capital market rather than against the total investment figure. Here the share of High Authority finance is approximately 10% which is no mean proportion. Since investment assistance is asked of the High Authority as a general rule as a makeweight, its economic significance is seen to be far greater than might be supposed from the amounts lent in absolute terms. Financing investment therefore is one of the key tools available to the High Authority in the sphere of industrial policy. This fact should be given due consideration during the negotiations on the merger of the Communities, particularly in view of its bearing on regional policy.

The investment policy of the High Authority assumes special significance if it is borne in mind that the situation on the capital markets of the Community does not change at the same pace as economic integration. The President of the High Authority highlighted this point when he submitted the 13th General Report to the European Parliament. Indeed, for some time the situation on the capital markets of the Community has been characterized by a growing shortage of capital and a steady rise in the cost of money. When the merger of the Treaties is discussed, the problems of industrial finance and the policy of the Community institutions in this connexion will have to be considered from this angle, and the relevant conclusions drawn.

#### B — *Technical research*

87. The High Authority, quite appropriately, discusses its research and investment activities in the section of its Political Report on an E.C.S.C. industrial policy.<sup>2)</sup> Similarly, research policy should be based on an overall appraisal of the place of research in the Community if it is to make an effective contribution in providing help and guidance to all current E.C.S.C. research projects.

88. In 1964 the High Authority allocated nearly 5.6 million units of account for research (rather

<sup>1)</sup> See Part I, Section 11.

<sup>2)</sup> See Part I, paragraph 10.

over 4.9 million for coal and approximately 0.6 million for steel). By the end of 1964 appropriations for technical research totalled 37 million units of account. Coal research attracted an increased share, in accordance with the wishes expressed by the Committee for Research and Cultural Affairs; the Committee had in mind the crisis in the coal industry. In its Opinion on the 13th General Report<sup>1)</sup>, the Committee welcomed this development.

During the year under review the High Authority also allocated 1.8 million units of account for research on the prevention and suppression of converter fumes ("brown smoke") and a number of projects on industrial medicine and industrial safety were approved.<sup>2)</sup> Funds totalling 15 million units of account will be needed in the years ahead to carry through these schemes.

89. Of the 37 million units of account appropriated, 19 million, that is more than 54%, had been paid out by the end of the period covered by the Report. This represents an advance on 1963 when the actual amount paid out was only 48% of the total appropriation. The Committee for Research and Cultural Affairs was informed by the High Authority that the ratio between appropriations and sums paid out, has recently improved still further, which is a gratifying development.

The Community character of research financed with the help of the High Authority derives mainly from the fact that the experts from the various countries meeting on the Technical Research Committee are responsible for deciding where the Community interest lies, and from the fact that research results and findings are made accessible to all interested parties in the Community.

90. In organizing its research departments, the High Authority has also endeavoured to comply with earlier suggestions made by the Committee for Research and Cultural Affairs. The latter has frequently recommended that a Coal Research Council should be set up. The High Authority went half way towards meeting this request by setting up a Committee for Technical Research (Coal) to supplement the long-standing Committee for Technical Research (Steel).

In order, however, to co-ordinate all coal research activities, the Committee for Research and Cultural Affairs recommends that the Committee for Technical Research (Coal) should have jurisdiction over all the technical and economic problems encountered in coalmining. It makes the same recommendation for research into the problems encountered in the iron-ore industry.

91. As stated by the High Authority in its Report, the workers' representatives on the Consultative Committee asked to take part in discussions on research projects involving financial aid from the High Authority. It is gratifying to note that the High Authority complied with this request and set up a Contact Committee comprising representatives of labour and management; this Committee will be able to submit suggestions and recommendations about research projects to the High Authority. Bearing in mind the inter-action of the technical, economic and social facets of research in industry, the Contact Committee may be expected to play a valuable part.

92. It is to be noted with satisfaction that in 1964, the High Authority continued its work in disseminating on a wide scale the results of research that it financed. The Committee for Research and Cultural Affairs further recommends<sup>1)</sup> that the High Authority issue a comprehensive review of the research projects it has promoted under its research policy in the last ten years. The Committee further considers that the General Report should state to what extent the High Authority has achieved its research objectives and whether or not the funds available are adequate; it should state to what extent research has been undertaken a) on its own initiative and b) at the instance of outside parties. The Committee has repeatedly requested the High Authority to act on its own initiative in promoting research projects, especially in the sphere of basic research.

93. As regards research in the collieries the "mining techniques" group stood out particularly in the period covered by the Report. This is hardly surprising if we consider the bearing research has on rationalization, on industrial safety and on attenuating the more arduous aspects of a miner's work. The High Authority has promoted a wide range of schemes; a whole series of research programmes have been pursued or carried to a successful conclusion. The focus of applied research was the mechanization of the coal-cutting process. The Committee for Research and Cultural Affairs stresses the special urgency of these schemes if the Community collieries are to become more competitive. It also notes with satisfaction the experiments on hydro-mechanical coal-claiming and "cold-blasting."

94. The work on finding new uses for coal is also very important for the collieries. As the Committee emphasizes, coal will only be able to compete with oil if it is made easier to use and if its use can be mechanized along lines adopted for oil. The High Authority also played an active part in these spheres of research. The longterm importance of work

<sup>1)</sup> See Opinion of the Committee for Research and Cultural Affairs, Doc. PE 13821/fin.

<sup>2)</sup> See Chapter VIII of this Report.

<sup>1)</sup> See Opinion of the Committee for Research and Cultural Affairs, Doc. PE 13821/fin.

on coal utilization could hardly be overestimated since it is now known that the world has much greater reserves of solid fuel reserves and especially coal<sup>1)</sup> than of oil.

95. In recent years a considerable amount of work has been done in the spheres of research referred to, by countries outside the Community. It is extremely important to know in as great a detail as possible what results have been achieved. The Committee drew special attention in its Opinion to the work done in the United Kingdom, the United States and the Soviet Union. It gives cause for satisfaction that the High Authority endeavours to co-operate closely with research departments in third countries. As to work done in East European countries, the High Authority has since 1 July 1960 made available to Community firms 2,273 articles, published by Eastern States. In its General Report the High Authority should publish details of its co-operation with research departments in third countries.

96. In the iron-ore sector, some interesting research programmes were pursued last year. A pilot factory for roasting merchant ores by magnetism which will become operational in the near future, is particularly worthy of mention.

Work was also continued with regard to enriching iron ore; this work is very important for the Community iron mines although the High Authority thinks there is little hope of putting this to practical use in the immediate future. The Committee considers this unfortunate and suggests that the High Authority should ask the United States for fuller details about the techniques they appear to have used with great success.

Although research into the use of iron ore continued last year, it is to be regretted that no new funds were made available for this purpose. Bearing in mind that Community iron mines were passing through a crisis resulting from competition from imported ores with a higher iron content, the High Authority is asked to do all in its power to help make the iron mines more competitive.

97. The General Report says nothing of the work in progress in West Africa on prospecting for iron ore. The High Authority, however, has since stated that work has been resumed and that additional funds of 220,000 units of account have been made available for this purpose.<sup>2)</sup>

98. The work of the High Authority in the sphere of steel research and its endeavours to finalize European standards for steel products are also cause for satisfaction.

99. Because it has the funds to do so, the High Authority can act to some purpose in the sphere of research. Its resources and its experience are among the High Authority's assets; it is to be hoped that it will enable the single Executive to make the fullest use of them. It is essential that there should be no suspension or curtailment of its activity either before or after the Executives merge. The High Authority's statement in its Political Report<sup>1)</sup> that it intends to continue to pursue and broaden the scope of its Community research policy deserves full support.

On presenting the 13th General Report to the European Parliament, the President of the High Authority mentioned two recent events of considerable bearing on research policy in the Communities: a decision by the three Executives, acting on a High Authority proposal, to set up an inter-Executive working party on research, and a decision, by the E.E.C. Committee on Medium-Term Economic Policy, to include research problems in its work. The High Authority will be giving its support to this Committee. Considerable satisfaction may be expressed at these two decisions which will help to co-ordinate research policy and more generally, to finalize a common policy on research.

## Chapter VII

### Social policy

#### A — General considerations

100. In 1964 the High Authority continued to pursue an active social policy in the Community. This aspect of the High Authority's work deserves special mention for Community policy must be comprehensive and take every aspect of the various problems into account. It is becoming increasingly recognized that economic and social problems stand in very close relation to one another. The Community must follow the example of national Governments and draw the logical conclusions from this.

In the case of the Community, there is another point to be considered: quite apart from the structural changes which normally follow from economic and technical progress, the creation of a larger market must, of necessity, lead to further changes in the Community's economy. Such changes are unavoidable if the aims of Article 2 are to be achieved. This reads: "the European Coal and Steel Community shall be charged with the duty of contributing to economic expansion, the growth of employment, and a rising standard of living in Member States . . ." However, such changes not only raise economic problems but also social prob-

<sup>1)</sup> See Chapter I.

<sup>2)</sup> See Chapter V, Section B.

<sup>1)</sup> See Part II, Section 8.

lems of real moment. No modern economic or social policy could possibly consist simply in passing on to the worker the whole burden of developments that the individual, on his own, can do nothing to alter. There is a further reason for rejecting out of hand such a passive policy. European integration adds up to quite a lot in the eyes of the general public, especially in the quarters most closely affected, and this prestige would be shattered if it were seen that the creation of a larger market, even if it helped the economy generally, had an adverse effect on the welfare of certain classes of society. Such myths must be nipped in the bud; they could easily be exploited by anti-European propaganda, evoking for example, the hackneyed argument that this is the Europe of the capitalist. If Europe is to prosper, the involvement and the consent of all classes of society are essential. Hence it is the bounden duty of the Community institutions to assume their social responsibilities in full.

101. It is gratifying to be able to record that the policy of the High Authority has always been directed towards this end. It has indeed been in the social sphere that the High Authority has been very active on a wide scale. Particularly worthy of mention here is the policy pursued by the High Authority in resettling and retraining workers, in redevelopment, in occupational training, industrial safety and health protection and in social housing. The reason why the High Authority has been able to put these social measures into effect is, in most cases, because it has adequate independent resources to draw on. This brings out the full relevance of the statement made by the High Authority in its Political Report<sup>1)</sup> that financial independence is one of the cornerstones of the whole E.C.S.C. edifice. We shall return to the importance of financial independence generally in the Chapter dealing with the problems of merging the Executives and the Communities.

#### B — Trends in employment

102. The number of people employed in the E.C.S.C. industries fell again last year, from 1,372,600 in 1963 to 1,360,500 on 30 September 1964, *i.e.* by 12,100. This was less than in the previous year. In 1964, moreover, this trend was confined to the collieries and iron mines; there was an increase in the manpower employed in the iron and steel industry. Every mining area continues to report a shortage of underground workers. The iron mines have been the most affected. This illustrates the special difficulties now being encountered in the iron mines.<sup>2)</sup>

<sup>1)</sup> See Part I, Section C, paragraph 14.

<sup>2)</sup> See Chapter II, B.

103. Between 30 September 1963 and 30 September 1964 there was an increase in the proportion of denizen workers in the total E.C.S.C. labour force. The number of denizen workers also went up in absolute terms, a trend due mainly to a greater inflow of workers from non-member countries; the number of workers from Community countries fell slightly. As at 30 September 1964, the proportion of denizen workers in the total E.C.S.C. labour force was 14.5 per cent. This figure comprised 8.5 per cent from non-Member countries and only 6 per cent from Community countries. The statement made by the High Authority in its General Report<sup>1)</sup> and to the Social Committee, namely that the number of Italians employed in E.C.S.C. industries elsewhere in the Community has fallen, deserves special attention here. This relates in particular to miners working at the coal face. The High Authority is convinced that the main reason underlying this trend is the economic expansion of Italy.

In its Opinion<sup>2)</sup> the Social Committee said it would welcome this development if it were in fact a direct consequence of economic and social progress in Italy, but it asked whether it was not also due to a lack of co-ordination between the employment exchanges.

104. The Social Committee also looked into the problem of E.C.S.C. employment cards. It noted that very few (32 in all) were issued between 1 October 1963 and 30 September 1964. In view of this, the High Authority stressed the fundamental importance of employment cards; this deserves recognition but the Social Committee is convinced that the cards should be given greater practical use. With regard to free movement, the E.C.S.C. has, in fact, been overtaken by developments in the E.E.C. and the economy at large and by the high degree of manpower mobility engendered thereby.

105. Labour turnover in the E.C.S.C. industries is still high. From 1960 to 1963, 953,000 workers left their jobs, 442,000 of them voluntarily. These figures illustrate the magnitude of the problem. The number of voluntary departures was much higher in the coalmining than in the iron and steel industry. While labour turnover has always been appreciable in the mines, its present level is still a cause for serious concern.

106. This concern becomes more acute when seen in conjunction with the fall in the number of apprentices in Community industries. Between 1954 and 1964 the number of apprentices fell from 82,800 to 38,400. This was particularly serious in the mines where the number fell from 70,200 in 1954 to 24,000 in 1964. From September 1963 to September 1964 there was a slight increase in the number of

<sup>1)</sup> See Section 363.

<sup>2)</sup> See Doc. PE 13844.

apprentices in the collieries and in the iron and steel industry. The significance of these figures for the future of Community industries speaks for itself. Labour turnover and the fall in the number of apprentices must be firmly dealt with and appropriate measures taken. It is a question of working out and putting into effect a lucid economic policy, with particular reference to the rôle of coal in regard to energy supplies in general, and of carrying through a social policy that is geared to clearly-defined objectives. The nexus between economic and social exigencies stands out very clearly here.

### C — Occupational training

107. The details given above illustrate the effect of manpower problems on E.C.S.C. enterprises in so far as the number of workers employed is concerned. But firms must also have highly-skilled workers. This need becomes increasingly urgent as techniques improve and production methods are modernized. Thorough occupational training is therefore essential both in the interest of firms and for the sake of economic progress and for social reasons.

It is the duty of Community institutions to give their full attention to a problem on this scale. Unfortunately, the scope of the High Authority is limited as regards occupational training. It has however taken adroit advantage of its opportunities under the Treaty, going more by the spirit than the letter. In the 12th General Report<sup>1)</sup> the High Authority recapitulates the conditions under which it can take action in the sphere of occupational training. It emerges that its opportunities are mainly in promoting studies, publishing reports, monographs, etc., organizing seminars and study sessions and arranging consultations with Governments and enterprises. The High Authority can also help enterprises in implementing certain measures.

108. The High Authority has one useful opening in that it can provide funds for training purposes. In 1963 it granted financial help, with the agreement of the Council of Ministers, towards building an occupational training centre at Fameck. In 1964, in pursuance of Article 54,1 of the Treaty, it contributed towards the cost of building a centre at Salzgitter. The High Authority's policy here can only give cause for satisfaction.

The Social Committee Opinion<sup>2)</sup> stresses that the High Authority showed a very sound understanding of the situation by coupling "intellectual investment" with technical investment and giving financial support for this purpose.

109. During the period covered by the Report, the High Authority continued with its surveys on personnel structure and training in the most technologically advanced production sectors. It also decided to publish a manual on the latest production techniques. This manual is intended for skilled workers, foremen, technicians, charge-hands and apprentices taking specialist courses. The manual will have a Community character so that it can be used in all the steelworks in the E.C.S.C. This publication will undoubtedly be very useful; apart from the technical and practical value of such an undertaking it is likely to have a favourable psychological effect and help promote the ends of integration.

110. It is particularly encouraging to note that the High Authority co-operates very closely with the E.E.C. Commission in the sphere of occupational training. It is reasonable to suppose that this co-operation will prove very valuable in co-ordinating the action taken after the merger in pursuance of the two Treaties. It is gratifying to observe that the Community industries attach increasing importance to occupational training and are taking appropriate action. It is for the Community institutions to provide a stimulus in this sphere and to ensure that the experience gained in some Community countries is put to the best advantage in the industries of the other Member States.

### D — Readaptation and reconversion

111. In its Political Report<sup>1)</sup> the High Authority succinctly outlines its general policy on readaptation and reconversion. It considers that in this context the Treaty provisions are probably the most original innovation in the sphere of social and economic policy. Indeed, the relevant provisions are the most significant expression of the idea that every negative facet of economic integration (the elimination of customs barriers, etc.) must be coupled with a positive facet. An effective readaptation and reconversion policy is, furthermore, an expression of Community solidarity.

112. The main tools of readaptation and reconversion policy available to the High Authority were described in the 12th General Report.<sup>2)</sup> Consequently the 13th Report simply indicates the changes that have taken place in the intervening period. These changes are worthy of mention because they make for social progress. For example, the maximum monthly pay rate, to which reference is made in the readaptation process in calculating allowances, has risen appreciably in three of the Community States. This is in line with High Autho-

<sup>1)</sup> See Section 381.

<sup>2)</sup> See Doc. PE 13844/fin.

<sup>1)</sup> See Part One, Section 13.

<sup>2)</sup> See Section 303-306.

rity policy and has the explicit approval of the Social Committee of the European Parliament, for a worker made redundant, will, through the allowance system, have an income approximately equal to his pre-redundancy wage. Another change concerns the grants paid to workers taking retraining courses. In France a system has been introduced to give such workers the benefit of the social security system for the whole period during which they are on such courses.

The Social Committee particularly welcomes this development, especially because it found during its investigations into reconversion problems, that the question of social security was a source of serious concern among workers.

113. One very important aspect of the readaptation policy is the re-employment of redundant workers. The whole aim of this policy is to help the redundant worker to find comparable employment without delay. Last year the Social Committee and the European Parliament<sup>1)</sup> urged the High Authority to study the subsequent progress of workers benefiting from readaptation and to inform the Parliament of its findings. The High Authority complied with this request. It visited twenty-six employment exchanges in regions where readaptation is in progress. The 13th General Report gives fairly detailed information about the re-employment of workers. It appears that new jobs tend to be found quickly. This is due to the fact that economic conditions in the Community countries have remained fairly sound. Difficulties do arise, however, in under-industrialized regions and, secondly, in the case of old or physically handicapped workers. The first case highlights the need to couple readaptation measures with a joint regional policy and a joint reconversion policy. At a later stage we shall be discussing the work done by the High Authority here. As regards old or physically handicapped workers, the High Authority is conducting an enquiry, in the Community countries, into the various aspects of this problem. In Belgium, it has collaborated with the Government to finalize a system that should facilitate the re-employment of old or handicapped workers. The High Authority indicated to the Social Committee that it attached special weight to the desire of many old or physically handicapped workers to go on working. It is important on both social and human grounds to help such workers. It is therefore to be hoped that the High Authority will continue and increase the scale of its activity in this sphere.

114. During the period covered by the Report a great many readaptation measures were taken. 1.7 million units of account were appropriated for the readaptation of 9,437 workers; the year before

the sum appropriated was 4.3 million units for 23,661 workers. It would be helpful if the High Authority explained this disparity. A recapitulation of all the readaptation measures backed by the High Authority up to 31 January 1965, indicates that measures have been taken on behalf of 188,943 workers and that 56.3 million units of account have been appropriated for this purpose.

115. As already stated, redevelopment is in many cases an essential corollary of readaptation policy. Retraining can serve no useful purpose unless appropriate employment opportunities can be created. Regions in full economic expansion experience only minor difficulties; frequently workers threatened with the loss of employment are taken on by other enterprises *before* they are made redundant. On the other hand, as the High Authority rightly points out in its Political Report<sup>1)</sup>, the situation is quite different in regions where there is less industrial activity.

In these regions, an active industrial redevelopment policy is essential, and this must be an integral part of regional policy. The Community institutions must accept the responsibility of drawing up such a policy.

The Social Committee Report states that it concluded from its surveys that it is becoming increasingly important to have a clearly stated regional and redevelopment policy. The Economic and Financial Committee also stresses that a homogeneous regional policy is one of the essential needs of the Community. To achieve this end, the Community must have independent revenues. Indeed, the High Authority's capacity to take action in the sphere of regional policy is directly related to its financial independence which it should not on any account surrender. It might also be worthwhile, in the interests of finalizing a regional policy, to envisage a harmonization of the E.C.S.C. provisions when the Treaty merger goes through. We refer here to Article 4,c prohibiting "subsidies or assistance granted by States or special financial burdens imposed by them in any form whatsoever". When the Treaties are merged, the exemptions granted under Article 92 of the E.E.C. Treaty should be open to coal and steel also.

116. During the period covered by the Report the High Authority decided to support three studies into regional development and to finance five redevelopment operations at a cost of 17.9 million units of account. The High Authority has now given its support to 13 redevelopment operations and has given financial help, in the form of loans, amounting to 27 million units of account.

117. In its Political Report<sup>2)</sup> the High Authority states that it intends to introduce a more systema-

<sup>1)</sup> See Resolution relating to the 12th General Report, Official Gazette of the European Communities No. 109 of 9 July 1964, Section 28.

<sup>1)</sup> See Part Two, Section 6.

<sup>2)</sup> See Part Two, Section 6.

tic policy in the sphere of redevelopment to replace its system of *ad hoc* interventions. This is worthy of special mention. It is encouraging to note that the Governments are more than willing to co-operate with the High Authority and that the material framework for this co-operation has already been created. Co-operation with the E.E.C. Commission will be through a joint working party of the two Executives; this is equally essential.

118. It is essential that the redevelopment policy successfully launched by the High Authority should proceed uninterrupted. Press reports have led various members of the Social Committee to fear that pending the merger of the Executives, redevelopment may be left in suspense; it is to be hoped that these fears will prove groundless. In any event the European Parliament cannot accept that the work of the institutions should be interrupted or slowed down under the pretext of the forthcoming merger of the Executives. This applies particularly to redevelopment policy. It goes without saying that here too the Executives are under an obligation to co-operate in ensuring the co-ordination, at the Community level, of all measures taken. After the merger, the single Commission will have to finalize and put into effect a homogeneous redevelopment policy in respect of the whole economy, making the most of all the opportunities offered by the three Treaties. It will have to set up a special committee to deal with redevelopment and endow it with adequate means.

#### E — *Wages, social security and terms of employment*

119. There was no real progress last year in the dispute over the European Miner's Code. The High Authority continued to try to find a solution but this was of no avail in view of the opposition of Governments and employers. Under these conditions the present aim is gradually to give effect to specific aims embodied in the Code. The miners feel that the bonus system in operation in Germany should be extended to the whole Community and that there should also be a loyalty bonus as a recompense for long service.

120. Under present circumstance such efforts reflect a realistic attitude and deserve recognition. It should not be forgotten that the future of mining depends on skilled workers being attracted to the pits and on their staying there. Hence measures in favour of the miners is a long-term need not only from the social standpoint but also from that of the enterprises themselves.

121. During the period covered by the Report, there were several, appreciable wage increases. The hourly pay rate in the coal mines went up by 6·36

per cent in Germany, 6·67 per cent in Belgium, 9·04 per cent in France, 16·78 per cent in Italy and 14·37 per cent in the Netherlands. The hourly pay rate increases in the iron and steel industry were: Germany 5·7 per cent, Belgium 9·7 per cent, France 4·4 per cent, Italy 6 per cent, Luxembourg 6·2 per cent and the Netherlands 18·6 per cent. In the iron mines, the increases ranged between 6·15 per cent and 32 per cent. Generally speaking, the conclusion is inescapable that mining is no longer the top wage-bracket; other branches of industry now pay higher rates to their workers. This clashes with promises made to the miners. Bearing in mind the hardships and dangers of mining, a dynamic wages policy is essential for two reasons: social justice demands it and it is a precondition for solving the burning issue of recruiting manpower.

122. When it discussed this subject, the Social Committee expressed regret that the High Authority gave little or no information on real wage trends and on the relationship between wages paid in the E.C.S.C. industries and those paid in other branches of industry. It is to be hoped that the High Authority will amplify its Report on this point.

123. There were several improvements in regard to social security last year. The decision on a Community system of subsidies to the coal industry (mentioned in Chapter 1) also opens up a possibility of social measures being passed in the Member States. With the merger of the Communities in prospect, it is to be emphasized that the action taken by the Communities should be directed towards approximating social legislation in the Community countries.

124. With regard to the working week, there has been little change. The only development worthy of note was in Belgium, where the annual leave was increased by eight days as from 15 Mai 1964. The Social Committee follows such developments very closely; it has asked the High Authority to follow, likewise on a long-term basis, the developments in this sphere and to take into account recently published sociological studies. The High Authority has promised to take these suggestions into consideration.

125. Apart from its efforts to win acceptance for the European Miner's Code, the work done by the High Authority last year with regard to wages, social security and terms of employment consisted mainly in conducting enquiries and surveys, organizing working parties and publishing papers. The High Authority has made special efforts to clarify certain theoretical and practical issues contingent on piece-work in the iron and steel industry.

As the Social Committee points out, it should be noted that piece-work fits in with the imperatives of social progress under certain conditions only. We

should avoid reaching the stage where final wages earned under the piece-work system are in every instance adjusted in relation to productivity changes which it is not within the power of the worker to alter. The trend towards stabilizing incomes should be noted with satisfaction since it is in the interests of social progress, as pointed out by the High Authority in its General Report. To give any full and final opinion on this subject, one would have to have more information.

126. In the part of its Report dealing with social security trends, the High Authority emphasizes one point<sup>1)</sup> about which your Rapporteur feels he must take a stand: Government representatives from the two major coal producing countries in the E.C.S.C. refused to sit in on a joint Committee to study the conclusions drawn by the Working Party (Mines) of the European Social Security Conference; the Governments alleged that the E.C.S.C. Treaty gave the High Authority no right to take any steps towards approximating social security systems. Your Rapporteur indicates in his introduction that European integration is in the long run inconceivable if the partners do no more than comply with the express obligations of the Treaty, if they are unwilling to go any further. He feels that the attitude of the two Governments involved is hardly an example of Community-mindedness.

#### F — Housing

127. The work of the High Authority in building houses for workers must be regarded as one of the most fortunate and encouraging undertakings of the E.C.S.C. Over the years, it has developed on a very large scale, as is clearly demonstrated by the fact that the 60,000th dwelling financed with the help of the E.C.S.C. was finished during the period covered by the Report. The High Authority was able to achieve this because it had its own funds to draw on.

Over the last year the High Authority has concentrated on carrying out its 5th Programme, in respect of which it has provided 90 per cent of the necessary funds. By 31 January 1965 the number of completed dwellings, built with financial help from the E.C.S.C., was 64,179; 17,482 were being built and 5,649 were on the drawing boards. As on that date, the funds appropriated either from High Authority sources or from loans or from other sources amounted to 230 million units of account.

Last year, for the first time since 1958, the High Authority appropriated readaptation funds for a housing scheme. Housing had to be found near their new place of work for redundant miners who had managed to secure employment at another

colliery. This housing scheme was, hence, a legitimate readaptation measure.

128. While applauding the work done by the High Authority in the housing sphere, there were suggestions from the Social Committee for improving the system. One point on which special stress was laid is that the dwellings built with the help of the High Authority were sometimes subject to excessive interest and bank charges. It is true that the High Authority usually makes its loans at the very low rate of 1 per cent. Since these loans usually cover only part of the building costs, however, other loans have to be sought at much higher rates of interest; the result is frequently that the final interest rate is too high for many workers. The High Authority should endeavour to find a solution to this problem. It might for example increase its own contribution and thereby ensure that its own low rate of interest had a greater effect on the final rate. The fear was also expressed that the responsible authorities in the Member States might take advantage of the High Authority's financing schemes to pare down their own housing programme. The High Authority should ensure that its work here supplements national programmes and that it does not simply take part of the work off national shoulders.

129. Another problem is also worthy of attention.

The High Authority points out that of the 87,310 dwellings it helped to build, 55,404 were let and 31,906 will be bought by workers. The proportion bought by workers is therefore high. Nonetheless, it is worth asking if this proportion could be increased. Bearing in mind the sociological importance of property ownership among large sections of the population, the High Authority should be asked to do its utmost to ensure that the greatest possible number of dwellings built with its help are in fact bought.

130. In future, the High Authority will continue its work under a 6th Programme for financing social housing. The Social Committee asked the High Authority if it had encountered any difficulties in drawing up the 6th Programme. The High Authority said not, and stated that the only point at issue was the amount to be appropriated. The sum involved will be between 20 and 24 million units of account. The amount made available must be adjusted to allow for increased building costs and to ensure that a sufficient number of dwellings are built. In any event it has to be noted with satisfaction that the High Authority is determined vigorously to continue its work in the housing sphere. As a result of the 6th Programme, the total number of dwellings built with the help of the E.C.S.C. will be 120,000. Advantage should be taken of the merger of the Executives to work out and put into effect a common housing policy for the three

<sup>1)</sup> See 13th General Report, Section 439.

Communities. Apart from the large resources of the E.C.S.C., financial assistance could be obtained through the European Investment Bank and the E.E.C. Social Fund.

## Chapter VIII

### Health Protection Policy

#### A — General Observations

131. The work of the High Authority in the sphere of health protection is an important part of the economic and social policy of the E.C.S.C. Much of what is done by the Community, in research for example, has economic and technical as well as social implications, besides having its own relevance for safety and health. It is particularly necessary to ensure the effectiveness in E.C.S.C. industries of the health protection policy; indeed, it is a well-known fact that the number of jobs in which men are exposed to the risk of accident or illness is relatively high in E.C.S.C. industries in comparison with other branches of the economy.

The previous chapter drew attention to the increasing economic relevance for business concerns of a clear social policy, particularly in view of labour shortages. This is equally true of health protection. In mining, appropriate action must be taken to keep on reducing the risks involved underground.

132. The High Authority is well aware of this situation and it has tried to resolve these important issues. The truth is that the Treaty does not empower the High Authority directly to lay down any rules in law here: it contains no provision empowering the High Authority to pass regulations, to take decisions or make recommendations on industrial safety, health and medicine. Yet there are other courses open to the High Authority. It can give financial help for research projects directed at improving the health protection of workers. It can also act in an advisory capacity, convene working parties or study groups and organize exchange visits between representatives of Community countries and firms to discuss their respective experience.

The High Authority continued to avail itself of these opportunities in 1964. It allocated funds to a number of new research programmes. The appropriations involved will total 15.8 million units of account. The amount so far appropriated for health protection research now totals 23.8 million units of account. The High Authority has also greatly improved the dissemination, among the circles involved, of the results of research.

#### B — The framework of the organization

133. The terms of reference of the Mines Safety Commission was one of the main problems to receive attention during the past year. In January 1964, the High Authority asked the Governments to extend the terms of reference of the mines safety Commission to the iron mines; it had the full support of the Health Protection Committee<sup>1)</sup> here as it did in its endeavour to extend the scope of the Mines Safety Commission to embrace industrial health and safety at work. Such efforts are indeed worthwhile; combating the risk of illness in E.C.S.C. industries is just as important as accident prevention.

It is hence unfortunate that during the period under review the Special Council of Ministers disregarded the High Authority proposals and the wishes expressed by the European Parliament and refused to extend the scope of the Mines Safety Commission. This is a matter of moment for the welfare of workers in E.C.S.C. industries; the Special Council of Ministers is asked to reappraise its attitude.<sup>2)</sup>

134. In its Opinion, the Health Protection Committee further regrets that the Mines Safety Commission was obliged last year to continue its work without any increase in staff or in the means at its disposal. Since the Health Protection Committee follows this matter closely and since, after arduous negotiations with the Governments, it obtained an increase in the means at the disposal of the Mines Safety Commission, it now insists that the new posts authorized be filled and that the means at the disposal of the Mines Safety Commission be effectively increased.

It is also to be pointed out that information about the work of the Mines Safety Commission leaves much to be desired. There is very little on this subject in the 13th General Report. The Mines Safety Commission has published no activity report since June 1961 although it is under an obligation to do so. In this connexion, the High Authority speaks of "staff and organizational difficulties". It did, however, point out in January 1965, that work was begun on the report of the Mines Safety Commission. This has, however, not yet been sent to the European Parliament. We must insist that this be done without delay.

135. During the period under review, the High Authority set up a General Committee on Safety at Work in the Steel Industry. The Health Protection Committee welcomes this initiative. The new Committee will be responsible for exchanges—at regular

<sup>1)</sup> See Opinion of the Health Protection Committee on the 13th General Report on the activities of the E.C.S.C., Doc. PE 13725.

<sup>2)</sup> The situation improved to some extent after the period in question: on 11 March 1965 the Special Council of Ministers decided that industrial health should come within the purview of the Mines Safety Commission (Official Gazette of the European Communities No. 46 of 22 March 1965).

intervals—of theoretical information and practical experience on accident prevention. This is particularly necessary as safety measures vary widely from one country to another and even from one firm to another. Setting up the General Committee will enable the whole E.C.S.C. industry to get the benefit of experience gained by specific enterprises or in individual countries. The General Committee will comprise union and industry representatives. The High Authority is in this way justifiably trying to prompt E.C.S.C. industry generally to take the results achieved into consideration.

#### C — *Work on industrial health and safety at work*

136. As already indicated at the beginning of this Chapter, the High Authority decided to finance several research programmes into brown fumes, the physiological and psychological factors affecting work in the mines and into dust prevention measures. Six million units of account have been earmarked for the latter programme alone; research will embrace every aspect of dust prevention. The relevance of this work in terms of health protection needs no emphasis.

In addition, attention has to be drawn to research work, discussed in Chapter 6, which also has a bearing on health protection: research into the development of a cold-blasting method and of a hydro-mechanical coal-claiming process. If successful, such work is bound to make mining safer and easier. The coldblasting process dispenses with explosives; compressed air mixed with water is used. This eliminates the danger of explosions and cuts down dust. Apart from its economic interest, hydro-mechanical coal-claiming also makes mining safer and less unhealthy. It eliminates dust discharge and the fire-damp explosion danger since there is nothing to cause ignition.

137. The working parties of the Mines Safety Commission have submitted reports on a whole range of problems. These reports were approved by the Mines Safety Commission at two plenary sessions held in 1964. The importance of this work speaks for itself. During the period under review, a group of experts from the Mines Safety Commission went to Poland to look into safety problems, particularly that of the early detection of fires. Such contacts with departments outside the Community are in line with suggestions made at various times by several European Parliament committees.

138. Further papers by the working parties deal particularly with piece-work rates; these will be submitted to the Mines Safety Commission. The responsible committees of the European Parliament are keenly interested in the problems connected with piece-work, as is clear from Chapter 7.

139. A general research programme, dealing with the bearing of human factors on safety in E.C.S.C. industries has been in progress since 1962, in four coal mines, two iron mines and five steel factories. The programme is expected to be completed during 1965. It has already yielded some interesting results which have been put to practical use; the various accident risks have been reduced appreciably.

140. In all, 37 research projects have been directed at silicogenic dust and yielded appreciable findings. Research on dust prevention at the coal face and elsewhere has been particularly successful. Research into measuring and determining the types of dust has also been successful. Research has also yielded information on the relationship between the working environment and the incidence of pneumoconiosis. Research subsidized by the High Authority has also covered protection for steel industry workers and people living in industrial cities against the dangers of pneumocogenic dust. The High Authority is to be commended for initiating research into the problem of air pollution, which has been a cause of concern to the general public for some time.

It is to be noted that a delegation from the Health Protection Committee recently attended a congress on air pollution in Düsseldorf.<sup>1)</sup> The results of the congress will be valuable to the Committee in its future work.

The general research programme dealing with silicogenic dust in the steel industry will be completed by mid-1965. The High Authority will then publish a comprehensive report. This is awaited with interest.

141. As regards industrial psychology and pathology, work on collating the results of research carried out from 1960 to 1963 is continuing. The High Authority was thus able to give, in its General Report, hitherto unpublished research findings.

One interesting initiative by the High Authority consisted in bringing together a group of research workers whose work has led pneumological laboratories in all E.C.S.C. States to adopt identical methods for certain diagnoses and to use a standard terminology. Such initiatives, directed at co-ordinating the working methods of the departments concerned in the Member States, promote co-operation and exchanges of experience gained.

142. The Health Protection Committee stresses the importance of a study into the effects of the state of health of migrant workers on industrial communities. Special attention should be paid to contagious diseases. The Committee was particularly interested in a report from the High Authority

<sup>1)</sup> See note by the Committee secretariat on the Congress. Doc. PE 13 737.

to the effect that workers from third countries settling in Germany and Belgium were found to be hookworm carriers. Earlier in the century many miners died of the hookworm disease. Since then effective cures have been found. The danger of this disease being reintroduced into the Community countries by migrant workers is therefore a cause of great concern. The Health Protection Committee stresses that the Member States should take effective joint measures to eradicate this disease.

143. Traumatology and readaptation is another area of research that has attracted the attention of the High Authority. A new programme of pure and applied research into burns and their after-effects is also in preparation.

In conjunction with the new programme, the High Authority is gathering information on first aid methods and emergency treatment in the collieries. Similar work in regard to the iron and steel industry is in preparation.

144. In the health protection work of the Community, the publication of research findings and results of experiments is of great importance. Only if such information is disseminated on a large scale in interested circles can the work of the E.C.S.C. in this sphere be really effective. The High Authority has concentrated on providing those responsible for health protection, as well as control and safety engineers, industrial health officers and so forth with very detailed information. The accent is on the practical aspect. Such publications may be leaflets or large tomes. The High Authority couples these publications with the oral information it gives out at working party meetings or during visits to Luxembourg and at regional, national and international congresses.

145. Apart from this specialist information for practitioners, the work of the High Authority also involves keeping professional organizations informed. It is primarily a matter of popularizing knowledge on these subjects. Sometimes this takes the form of literature released to union newspapers and the daily press, or popular scientific brochures, and sometimes it takes an oral form, on the occasion of visits to Luxembourg or study sessions.

146. In its statistical appendix, the General Report gives valuable details on the incidence of acci-

dents and the pattern of this incidence in the Member States. Unfortunately, the tables show that the Community coal mines have not yet become very efficient at preventing accidents. The same applies to the iron mines. The major mining disaster at Lengede in 1963 did not make the picture look any brighter. The conclusion is inescapable that there is still a great deal to be done here. The steady decline in the number of accidents in the iron and steel industry, however, is very encouraging. The highest incidence of fatal accidents is at blast furnaces and in the steel-works, whereas the majority of accidents resulting in injury occur in the steel-works, the rolling-mills, the tin-plating works, the galvanizing and leading plants. The High Authority is asked to draw the relevant inferences from these figures and take appropriate action.

The Health Protection Committee points out that when the 12th General Report was discussed it asked for statistical information on accident trends since the E.C.S.C. was founded, a request that met with no response; the Committee asks the High Authority to bridge this gap. The Committee also hopes that Community statistics on trends in occupational diseases will also be forthcoming in the near future.

147. In conclusion, the Health Protection Committee passes a favourable judgment of the work of the High Authority in industrial health, safety and medicine. The accident statistics clearly show how much still remains to be done. The Committee also calls upon the High Authority to lend a closer ear to its suggestions in the future. It recalls that the problem of the social partners' being represented on the Restricted Committee has still not been solved. It asks the High Authority to act on this suggestion as well as on its other proposals as soon as possible and to inform it of any difficulties that may arise.

148. In its Political Report<sup>1)</sup> the High Authority gives details of the working programme that it intends to carry through in the sphere of health protection; from this it emerges that the High Authority intends vigorously to pursue the objectives it has set itself here. In view of the importance of the safety and welfare of workers in the E.C.S.C. industries, this intention is commendable.

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<sup>1)</sup> See Part Two, Section 7.

## PART TWO

### THE WORK OF THE E.C.S.C. — STATE OF PROGRESS TOWARDS INTEGRATION

#### Chapter IX

##### The E.C.S.C. as the First European Community

149. The European Coal and Steel Community was the first step towards the political unification

of the European peoples. From the outset the Treaty authors and the general public have regarded the Community not as a cocoon phenomenon but as the driving force behind a vast political movement. The implications of integrating two major industries are considerable; yet it is only when this

process is seen against the wider background of the whole swing towards unity in Europe that these implications can be correctly evaluated. In this connexion, it is the duty of the E.C.S.C., in compliance with the Preamble to the Treaty of Paris, to contribute to the making of Europe through "concrete actions which first create a real solidarity."

To achieve this objective, the Treaty created a new kind of institutional system. If only because the merger of the Treaties is in prospect, it may be useful briefly to analyze this system.

150. The aim referred to in the Preamble, to wit creating real solidarity between the peoples of Europe, stems from the conviction that Europe cannot be politically unified unless all its peoples have a common end in view. Such Community-mindedness will become a reality only if the peoples of Europe apply themselves increasingly to the task of organizing their life together. Nothing can replace the impetus to integration that springs from acting together at the practical level. The European interest requires that its peoples should feel convinced that they have together achieved something of moment and that they can carry it through to a successful conclusion on an even larger scale. It is not enough merely to agree in principle that the freedom and prosperity of Europe depend on its becoming united; European unity must ring true; it must be lived. The Treaty that established the E.C.S.C. is significant mainly because it gave the first attributes of reality to the European idea.

151. No less important is the institutional system devolving from the Treaty. This has been the talking point of many discussions and the subject of a great deal of writing. Your Rapporteur does not intend to go into the details of this controversy in which many distinguished statesmen and academicians from the six countries have entered. But one thing is certain: the *leitmotiv* of all the discussions on the special features of our Community is the idea that with the E.C.S.C. new ground has been broken, that the E.C.S.C. transcends the customary confines of constitutional and international law. Indeed, the Community is not a state and yet it is something more than an international organization; Robert Schuman, the founding father of the E.C.S.C., once summed it up by describing it as half-way between a federal and an international system.

The distinctive feature of the Community constitution—and this is its originality—is that it has its own institutions which are endowed with real, albeit limited powers; and, here, the division of power between the Member States and the Community institutions gives the E.C.S.C. constitution a federal character; in this respect, it is distinctly different from those systems that involve no more than co-operation between states. The Community has its own institutions, which are independent of

the states and which it has endowed with legislative, executive and judiciary powers and with democratic and parliamentary supervisory powers. The acts of the Community institutions are directly enforceable, without let or hindrance on the part of the national authorities, in respect of enterprises within the E.C.S.C.'s jurisdiction. Lastly, the Community has its own financial resources, since it is empowered to charge a levy on coal and steel enterprises; this could fairly be described as its own taxation system; it is legitimate to speak of a first, European tax.

152. This constitution, which, as a whole, represents an innovation in relations between States, has often been described as supranational. We can dispense with giving a theoretical definition of this term which is, moreover, to be found in the official text of the Treaty. Yet this term, in fact, accurately defines the institutional system of the E.C.S.C. The political quintessence of this system lies in the cession, by Member States, of part of their sovereign rights and in the partial surrender of their political freedom of action in specific spheres.

153. The European Parliament has made no secret of its conviction that supranationality thus conceived is axiomatic if success is to be achieved in unifying Europe. A real European Community presupposes that the States will gradually overcome their bias in favour of preserving intact their own political freedom of action. The E.C.S.C. Treaty rests on this conviction, a conviction shared by the six States when they created the Community.

This concept has lost none of its relevance even though the political climate is less favourable to supranationality now than it was in 1950. This does not mean that the E.C.S.C. Treaty is, in its concrete form, the truest and most effective expression of this concept. Since 1962 practical experience has revealed some of its inadequacies and shortcomings. The balance-sheet of the work done by the E.C.S.C. since it was founded, which your Rapporteur will endeavour to outline in the ensuing chapters, will bear this out. It will, however, also show what the E.C.S.C. has been able to achieve in those spheres where the Treaty endowed Community institutions with real powers and imposed concrete obligations on the Member States.

## Chapter X

### The E.C.S.C. balance-sheet after thirteen years of activity

#### A — Action taken and results achieved in the various sectors

154. In terms of economic policy, the aim of the Treaty of Paris is to establish a common market for coal and steel. Hence every kind of obstacle liable,

within the Community, to restrict trade in the products covered by the Treaty, and which did in fact so restrict trade before the creation of the Common Market had to be eliminated. Since, furthermore, the Treaty stems from the principle that in this day and age no economic community could be founded solely on "negative" customs dismantlement measures geared to prohibitions, it laid down for the Community the bases for a positive economic policy.

155. In the initial stages, the chief concern of the High Authority was the elimination of internal customs barriers. This was accomplished without serious difficulty. From this point of view, the Treaty objectives were achieved in full.

156. No adequate solution has been found, however, to a whole range of problems arising in connexion with taxes on products traded between the E.C.S.C. States. The principle whereby the indirect taxes charged depends on the country to which the goods are being sent has meant that the fiscal barriers are still there; thus no true internal market has been created in the strict sense of the word. Since, however, the coal and steel market is confined to these two industries the E.C.S.C. has been unable to find a completely satisfactory solution to this problem. This would presuppose agreement on the principle of approximating the taxation systems of the Member States. Thus partial integration is faced here with a difficulty that will be overcome only through a general economic integration.

157. The authors of the Treaty were aware that the elimination of obstacles to trade created by the Member States could be entirely or partly nullified as a result of the market structure, of agreements between enterprises, or of the dominant positions of particular enterprises; they therefore laid down rules of competition which the High Authority was required to enforce. These rules guarantee that minimum competition is essential to the attainment of the Treaty aims, *viz.* in particular, freedom of trade within the Community, rational production, the lowest prices and no discrimination. On the whole, this system, as it has been applied, has been successful. The criteria applied by the High Authority have naturally changed in sympathy with market and production developments; there is, however, no doubt that the essential minimum of competition has been guaranteed.

158. With regard to transport, a key factor for the heavy industries of the E.C.S.C., the aims of the Treaty have not been attained in full. The Treaty stipulates equal treatment "for consumers in comparable circumstances." In other words it prohibits any form of discrimination with a view to attaining this objective; it lays down, that "the rates, prices and tariff provisions of all kinds applied to the transport of coal and steel... shall be published..." In

the first years of its activity, the High Authority was very successful; for example, it eliminated discrimination "based on country of origin or of destination" and it laid down international through rates for rail transport. But other, no less important, problems such as the publication of rates have not yet been solved, despite the efforts of the High Authority.<sup>1)</sup> Unfortunately too, the E.C.S.C.'s jurisdiction over transport is extremely limited; apart from the few powers granted to the High Authority, transport policy and particularly transport-rates policy, have remained within the jurisdiction of the Member States.

159. Similarly, the E.C.S.C. has only limited powers in regard to external relations. Trade policy remains in the hands of the Member States and there is no provision for a common external tariff. Using the limited treaty basis, the High Authority was successful recently in winning acceptance for uniform customs measures to protect the iron and steel industry.<sup>2)</sup> It is also to the credit of the High Authority that it is able to act as spokesman for the Community at the Kennedy Round of negotiations.

160. It is also to be regretted that the Community is still a long way from working out a common trade policy for coal. This is directly related, if not wholly due, to the lack of a common energy policy. Fortunately, the patient work of the High Authority has begun to show results.<sup>3)</sup>

These have come through the comprehensive approach adopted by the High Authority in co-operating with the other Executives on energy problems. Indeed, it would have been impossible to solve the structural problems of the Community coal industry in too restricted a framework. This has been generally recognized for a long time. Oil and natural gas are gradually replacing coal and this is the kind of development that outdates any idea of limiting integration to a single source of energy.

161. The High Authority can promote the development of the coal and steel industries by providing help and guidance on investment, scientific research and social policy. The High Authority has made the most of its opportunities under the Treaty, especially in the use of its own revenue. The High Authority's policy on redevelopment and readaptation is worthy of special mention. The High Authority is quite justified in describing this as the most original contribution brought by the Treaty to social and economic policy.<sup>4)</sup> This will serve as a basis for European social and regional policy which the "merged" Executives and subsequently the single Community will have to endorse and develop.

<sup>1)</sup> See Chapter IV.

<sup>2)</sup> See Chapter V.

<sup>3)</sup> See Chapter I.

<sup>4)</sup> See Political Report, Part One, Section 13.

162. It may be asked what the work of the Community has meant to the integrated economic sectors, how it has affected intra-Community trade and how it has influenced trends in production and productivity.

163. Intra-Community trade has expanded appreciably; the overall rate of inter-penetration within the Community has increased, varying of course according to the products involved, and this has helped to concretise the "real solidarity" called for in the Preamble to the Treaty.

164. Assessing how Community policy has affected production and productivity is more difficult. Considerable progress has been made: steel production went up, from 42 million tons in 1952 to 83 million tons in 1964, and it is significant that the production of a ton of crude steel called for 45 per cent fewer man-hours in 1961 than in 1952. In the collieries, the output per man shift at the coal face went up from 1,413 kg. in 1953 to 2,335 kg. in 1964. However, as a result of the crisis, coal mining fell from 237 million tons in 1955 to 228 million tons in 1964. This aspect apart, the overall impression is perfectly satisfactory.

165. It is hard to say to what extent this favourable trend has been due to the Community; how the E.C.S.C. industries would have developed without the Community no one can tell. Specialized studies, based on substantial research have, however, shown that integration has acted on the economy in a beneficial manner, although it cannot be denied that the international trade situation has helped too.

#### B — Summary

166. It emerges from the foregoing that the Community has succeeded in creating a common market for coal and steel. It has pursued a dynamic economic policy in many spheres and achieved considerable success. In other sectors, however, there are delicate problems still to be solved. Many of these could not be solved within the compass of partial integration. The general economic integration of the Six will therefore make their solution easier.

167. The E.C.S.C. Treaty provided the High Authority with an instrument that certainly made possible the progress achieved. Your Rapporteur feels it pertinent to recall that, as such, a Treaty has no life of its own. It is for individuals to inject life into it on the basis of the legal rules and ultimate objectives that they devise. Without the tide of European feeling to carry the High Authority forward, indeed, the E.C.S.C. would not have made the progress it has. From the heroic age when Jean

Monnet was President, to the dynamic administration of Mr. Dino Del Bo, the President today, a memorable period in the history of European unification has been covered.

## Chapter XI

### The political balance-sheet

168. The brief review we have given of the growth over the past thirteen years of the first European Community will illustrate how it has carried out the duties entrusted to it; it will also show the limitations to which the E.C.S.C. is still subject. In these thirteen years the Community has had its ups and downs but, on the whole, it has made fairly steady progress so that today we can note with satisfaction the success of this undertaking. These developments have taken place "under our very eyes" as it were and it will not be until some time has passed when we can stand back and look at these thirteen years of the E.C.S.C.'s activity that we shall be able to see in its true perspective their full significance in the history of Europe today.

The importance of the work done by the E.C.S.C. does not lie only or even mainly in what it has done within the limits of its own jurisdiction, a sphere that is delineated in precise terms and which has even appeared too narrow in more than one respect. No one will deny the part played by coal and steel, but the fact cannot be ignored that they constitute no more than a part of the economy—a part, moreover, whose economic weight has, of late, decreased. Nor can the fact be ignored that attempts to bring the whole economy into the Community orbit only scratch the surface in political terms. The European Parliament has repeatedly stressed the importance of bringing the non-economic facets of politics within the scope of the drive towards unification.

Hence the political balance-sheet of the work done by the E.C.S.C. should bring the main focus to bear on its implications for the political unification of Europe.

Here your Rapporteur fully endorses the view expressed in a speech to the European Parliament on 24 March 1965 by the President of the High Authority that the Community was created not for coal and steel but for Europe.

169. In this respect the E.C.S.C. has been an unqualified success: the existence and the work of the Community since 1952 have contributed decisively towards quickening the integration of Europe.

The E.C.S.C. is a supranational organization, constitutional in character, which has enabled European States and peoples to put to the test with the help of a working model, as it were, the practical

value of such a system. It was essential to know if and how a major sector of industry could be taken out of the jurisdiction of the States and placed under the authority of a Community endowed with appropriate powers. The fact that this aim was embodied in the Treaty was no guarantee that it would be achieved; it had to be done in gradual stages and it was a long haul. The difficulties the E.C.S.C. encountered are well known. Faced with divergent interests, different economic ideas and crises in particular sectors, it had constantly to re-affirm the general interest of the Community. The High Authority, supported by the Common Assembly and later by the European Parliament, was aware of its function as representative and guarantor of the Community interest. With the support of the general European public and without the political resolve of the Member States to keep faith with the Treaty and pursue the goal of unification, the Community would not have been a success. Concerted action by the High Authority and the Council of Ministers or the different Governments is one of the main reasons why the aims of the Treaty have been attained to the extent described in Chapter IX.

It is true that the Community has not yet overcome all its difficulties and that it still has to deal with basic issues that have not yet been resolved. In everyday discussions about the Community, there is often less said about past success than future problems. This is natural and understandable since the business of the Community institutions is to bring about a step-by-step progress towards European unification. Yet eagerness to overcome difficulties tends to make people forget the progress already achieved. There are times such as the present when it is pertinent to look back to the beginning and measure out the distance covered. Today if we look back, we see that the success of the Community has been on a large scale. This success has without doubt been due to some extent to the way in which the institutional problems were settled in the Treaty of Paris.

170. An objective analysis of what can be done under the Community constitution requires that two other factors be borne in mind. On the one hand it is clear that the Community has found no final, satisfactory solution in certain spheres because the integration of two sectors implies certain limitations. This report raises this point frequently; the High Authority has also defined its attitude here on several occasions. On the other hand, experience has shown that the Community has, on the whole, been successful in every sphere where the Treaty endows it with real powers and that where it has not had the necessary means, it has marked time. What is characteristic of both these cases is the fact that the Community method peculiar to the E.C.S.C. could not be applied, or not in full, in each case; it is not the method that is at fault. Indeed, they provide good reasons for asking that real

powers be transferred to the Community institutions in those spheres still outside their jurisdiction.

171. The fact remains that the overall result of thirteen years of integration in the coal and steel sector makes it reasonable to suggest that the institutional structure of the E.C.S.C. has not disappointed the hopes that were placed in it. Not only are there practical and tangible results to show; there has also emerged a less obvious but equally important factor, to wit, the imperceptible change of outlook of these directly involved in the work of the Community. National administrations and Governments, producers, consumers and workers have grown accustomed to the existence of a Community that transcends the national context, to the duties it involves, and to the rights and advantages that it has to offer. They have accepted their part in the life of the Community; their meetings with their partners from the other Member States and the standing exchange of the various points of view have made them more conversant with the problems of their partners whom they have learnt to know better. In this way, each has become more willing to make concessions, to accept compromises. The feeling of belonging to one and the same Community, created for the good of all, and of having in that Community the same rights and obligations, has been a contributory factor. This, in turn, has fostered the community-mindedness so frequently alluded to in official discussions; indeed, European integration could not be pursued without this spirit. While we have deplored the lack of community-mindedness on many occasions we have also had frequent and convincing proof of its effectiveness.

172. The general public has followed the growth of the Community with keen interest. If this interest remains alive—as we hope—it will be because the Community has transcended theoretical discussion and moved into the realm of practical politics. A wide section of the general public was quick to grasp that it was not only coal and steel that were at stake in the negotiations and decisions of the Community institutions but that it was also a question of embarking on the initial stage of a much further-ranging development in Europe.

173. Hence the very existence and the work of the Community have made a decisive contribution towards creating that “real solidarity” referred to in the preamble to the Treaty; this solidarity has grown up not only in the economic relationships but also in the attitude of mind of those concerned. There is no doubt that the debates held first by the Common Assembly and, later, by the European Parliament have incited the general public to take an active part in the life of the Community. The Parliamentary Assembly has been the catalyst of public opinion and the High Authority has recognized this fact. It has also realized from the outset

that the Assembly's bearing on the political future of the Community transcended by far the powers it had been endowed with under the terms of the Treaty. Thus, the dialogue between the Executives and the supervisory body was able fully to develop, even in those spheres where there was no direct obligation to this effect under the Treaty. This co-operation between the institutions produced its own dynamism and this has speeded up the Community's development and strengthened its foundations.

174. The full value of the work of the Community only emerges in comparison with political developments generally. The political situation has not

always been favourable to the Community. In 1952 when the E.C.S.C. began, it was carried forward as part of a general trend. It was as if Europe wished to move quickly towards integration. The feeling that prevailed at the time was that the creation of the E.C.S.C. should be quickly followed by other and perhaps larger communities such as the E.D.C. and the European Political Community. When these plans came to nothing, the E.C.S.C. remained the one reality of European unification. In the years of difficulty and uncertainty in Europe, the E.C.S.C. was to become the embodiment of the European idea and it provided a solid basis for the hopes that this idea would ultimately materialize. The fulfilment of this wish was not the least of the Community's achievements.

### PART THREE

#### THE MERGER OF THE EXECUTIVES AND THE TREATIES

##### Chapter XII

##### The merger of the Executives

###### A — *Preliminary observations*

175. The European Parliament has already stated its attitude to the merger of the European Executives on several occasions. It has made abundantly clear that it not only approves of this in principle but also that it wants to see this translated into reality. It regards the merger of the Executives simply as one phase in a more ambitious undertaking to culminate in the merger of the Communities, which, it feels, will be decisive in terms of the future of European integration. In comparison with the problems that such an undertaking will require us to solve, and with the prospects it opens up, the forthcoming merger of the Executives and of the Councils seems a minor matter.

176. It would be wrong, however, to underestimate its implications. As far as one can judge at present, the merger of the Executives will also have material and political implications transcending the context of purely technical and organizational questions. The terms of the Treaty signed on 8 July 1965, however, give no assurance that this merger will be wholly favourable *i.e.* conducive to European unification. To be quite realistic, the conclusion one arrives at is that while the merger of the Executives provides an opportunity for rationalizing the structure of Community policy, it nonetheless embodies certain dangers. Everything will depend on the use made of this opportunity. Here the single Executive will be called upon to assume a heavy responsibility.

In the following pages, your Rapporteur will endeavour to weigh the pros and cons of the merger of the Executives and to indicate the points on which the Parliament should focus its attention both now and in the months ahead.

###### B — *The institutional and material aspects of the merger*

177. The immediate and legally apparent effects of merging the Executives and the Councils under the Treaty of 8 July 1965 naturally relate to the way in which the institutions are organized. It is not merely a question of setting up a single Executive and a single Council for three Communities although this is the immediate objective. This first step will be the prelude to a series of further changes designed to harmonize certain Treaty provisions. Some of these changes will be of real moment. Your Rapporteur is referring particularly to the provisions on procedure and on the appointment of the members of the single Executive.

178. As regards budgetary procedure, there are wide differences between the provisions of the Treaty of Paris and those of the Treaty of Rome. Under the Agreement of 8 April 1965, the budgetary procedure of the Rome Treaty will apply for the three Communities. In the past the Parliament and its responsible committees have never been anything but critical of this procedure whereby the Council has the decision-taking rôle in budgetary affairs, the Parliament's rôle being merely consultative. Hence, we could hardly be expected to express satisfaction at this procedure being re-adopted, especially since it will now be extended to the E.C.S.C. This criticism is all the more to the

point as the budgetary procedure of the E.C.S.C., due to disappear following the merger, gave the Parliament more powers and was further advanced on the road towards integration. Under the terms of the E.C.S.C. Treaty, it is the Committee of Presidents of the four institutions of the Community which decides on the operating budget of the Community, so that a balance can be struck between the interests of these various institutions and the Parliament is able to intervene in the decisions through its President. During the debates on the problems of the merger, the E.C.S.C. Treaty procedure was frequently criticized. It was argued that this procedure was in conflict with the traditional principles of budgetary procedure for the power of decision to devolve on the Presidents of the bodies directly concerned. It was further argued that this procedure did not provide for the European Parliament as such to be consulted and that the fact the President of the Parliament was involved, did not remedy this shortcoming. On this basis, it was even argued that by extending the E.E.C. Treaty budgetary procedure to the E.C.S.C., the powers of the European Parliament would thereby be enhanced because it would then have to be consulted officially on the budgets of the three Communities as a whole and hence, too, about the income and expenditure of the E.C.S.C.

Your Rapporteur considers it is worth taking a closer look at these arguments.

179. It should first be pointed out that all the members of the European Parliament will presumably be surprised to learn that the new regulations increase their powers. Indeed, the experience of the Parliament since 1958, in connexion with the E.E.C. and Euratom budgets, has enabled it to assess at their true value the real opportunities it has to intervene under this system and to realize just how limited they are. The bitter comments made every year on the Councils' tendency virtually to ignore the Parliament's opinion also recur in all that has been written on this subject.

180. It must be admitted that there is a grain of truth in the criticisms of the budgetary proposals of the E.C.S.C. Indeed, this procedure which was incorporated in the E.C.S.C. Treaty as a "sui generis" solution does not represent the ultimate in good sense; and the European Parliament has never regarded it as such. Yet in practice it has been working satisfactorily since 1952 and has thus made an appreciable contribution to European integration.

The President's right to speak, a genuine decision-taking power, introduced a democratic factor into the procedure, although of course this is no substitute for budgetary powers being vested in the Parliament. The E.C.S.C. budgetary procedure was devised at a specific point in time and in a specific context—that of the E.C.S.C., a European Commu-

nity endowed with limited powers—and this must be borne in mind for it is a point that the critics seem to have overlooked.

181. In any event, at the present stage of the unification of Europe, this procedure needs to be reviewed. Yet it needs to be done along the right lines, the emphasis being on making the budgetary procedure more democratic. By aligning with the procedure laid down in the Treaties of Rome, however, we are not proceeding in the right direction. In its present form, the Treaty on the merger does not make the budgetary reform that both the European Parliament and the general public have always demanded. The effort to democratize the Communities will have to be continued on other bases, particularly that of decisions on independent revenues for the E.E.C.

182. As regards the appointment of members of the single Executive, the Treaty of 8 April lays down that the rules followed shall be those of the Treaties of Rome. The members of the future Commission will in fact be appointed by the Governments in joint agreement, whereas in the re-appointment of members to the High Authority, it is stipulated that the appointment shall, alternately, be made by the Governments and by the members themselves, by co-option. The latter, it is to be noted in passing, will therefore be used for the last time in filling the vacancy arising from the death of President Finet. In its political report<sup>1)</sup>, the High Authority understandably stresses that in common with every act of the High Authority, co-option is subject to the control of the Parliament. This is incipiently the kind of appointment system—whereby the Parliament nominates the Executive—that has been so often called for. The Treaty of 8 April does not take this any further; it eliminates it altogether.

183. The merger of the Executives under the Treaty of 8 April whittles down the supranational content in two ways. At first sight this may not seem excessive, since the regulations adopted so far to deal with the controversial points were not completely satisfactory either. What makes this increasingly serious, however, is that when it comes to the forward progress of Europe any confirmation of the *status quo* is a retrograde step.

184. As to whether and in what way the merger of the Executives will be conducive to fuller European integration, your Rapporteur considers that the political authority of the future Executive is likely to be stronger and the political work of the three Communities is likely to be better co-ordinated.

<sup>1)</sup> Part One, 1.

185. The political authority carried by the single Executive will of course depend mainly on how efficient it is and on the results it achieves. Here, only time will tell whether the hopes raised by the merger have materialized. What is certain, however, is that the single Executive has here a decisive opportunity. The attention and the support of the general public are more likely to crystallize around a single focal point than around several; streamlining the institutional system of the Communities may perhaps bring home to large sections of the population that there is a European policy. With its keen awareness of realities, the general public has long regarded the three Communities as forming a single entity. The consolidation of the institutions is in line with the general feeling and is politically fully justified. It has been said that the single Executive may become a European government in embryo. This is the course that should be followed if a federated Europe is to become a reality. In other words, the merger will provide the opportunity for a more direct interchange between the European Executive and the general public. The political implications of this should not be underestimated, since the increased interest in the European movement evinced by the general public will not fail to strengthen the position of the European Commission.

186. The European Parliament has always been convinced that this is in the interests of Europe. As the representative of the people and as the main interpreter of public opinion, the Parliament's aim is to ensure that the Executive plays an increasingly important part. Relations between the Commission and the Parliament will become more valuable in that the Commission will always be aware that the roots of its power lie in the consent of the general public as expressed through the votes of the European representatives. It will be for the European Parliament to follow the development of the Commission and, if necessary, remind it of its obligations.

187. Seen from the political standpoint, the merger of the Executives holds out prospects that are relatively favourable; as regards the practical work of the Communities in the various spheres within their jurisdiction, certain hopes may be entertained. Whether these hopes are fulfilled and whether the misgivings about the merger are allayed will depend to a large extent on the determination and ability of the new Executive. The merger will not of itself solve the major technical problems of the Community; it will, however, improve the instruments at its disposal for this purpose.

188. Your Rapporteur feels that the imperatives to which the Executive's policy ought, under present conditions, to measure up to, may be stated as follows: a) the European Commission should make the fullest use of the powers and means at its disposal under the three Treaties; b) where the

Treaties contain divergent provisions, it should implement the most harmonious, overall concept in every sphere.

189. The first criteria mentioned can be traced back to the Treaties which endow the Community institutions with widely varying powers and resources. Merging the Executives will not alter this situation in any way. The European Commission will therefore find itself endowed with powers that vary according to the sphere concerned, depending on whichever treaty applies. It must therefore not be afraid to avail itself of the opportunities for action under any one treaty because it lacks sufficient power under the other treaties. As far as independent revenues are concerned, for example, the E.C.S.C. is in a more favourable position—at least for the present. In this report we have indicated the political implications of this and we have pointed out how the High Authority can turn these to advantage. The merger of the Executives must not, whatever happens, lead to a situation where any given power under any given Treaty remains unused.

190. This first imperative does not clash with the second although, at first sight, this might appear to be the case, *viz.* that concerted action be taken in every sphere under the jurisdiction of the three Communities. A general concept tailored to individual requirements could, at the same time, be put into effect by different means. In the case of regional policy, the single Executive will have to be able, where necessary, to make use not only of the opportunities open under the E.E.C. Treaty, but also of those of the E.C.S.C. Treaty for the purposes of retraining, resettlement and redevelopment. This should not preclude a comprehensive approach to the problems of a specific region that makes the best of both treaty worlds.

As the High Authority stresses in its political report<sup>1)</sup> the Executives will have to reach agreement and co-ordinate their various activities. This is to be welcomed. Yet it is equally certain that the merger of the Executives will allow for further progress in this direction. Indeed, co-ordination on its own will not produce the genuine cohesion that follows from a comprehensive approach laid down by a single responsible authority.

191. It would furthermore be unrealistic not to recognize that as far as many problems are concerned, a truly satisfactory solution will only be possible when the Treaties are merged. The present texts are too divergent and their shortcomings are too serious. However, even the possibilities open under the present Treaties are still far from having been exhausted. To quote just one example, the

<sup>1)</sup> See Part Two, 6.

Kennedy Round negotiations should be conducted along comprehensive lines that also take into account E.C.S.C. products. In this respect, the divergence between the provisions of the E.C.S.C. Treaty and those of the E.E.C. Treaty need not necessarily prove an insurmountable obstacle. This is borne out by the fact that although the Treaty of Paris makes no provision for a common external tariff, the High Authority has in practice succeeded in establishing a standard external tariff for steel. The creation of a single Executive should also have a favourable effect in the spheres of energy policy and transport policy.

192. There is one last aspect that is of particular importance. At the beginning of this chapter we said that merging the Executives was one stage towards merging the Communities. The latter will be the subject of long and difficult negotiations at which the new Executive's task will be to safeguard the interests of the Communities. The single Commission will be able to carry through this task knowing that it can rely on the staunch support of the European Parliament.

## Chapter XIII

### The merger of the Communities

#### A — *The implications of merging the Communities*

193. It has been agreed in principle that the merger of the Communities will follow the amalgamation of the Executives. Merging the Communities will be a decisive event in the unification of Europe. It will involve re-writing the whole European Community constitution. The terms of the new treaty will have to be consistent with developments that have taken place since 1952. For this purpose it will be a question of standardizing the widely divergent provisions of the existing treaties.

Yet the merger of the Communities should not be confined to this standardization, although in itself, it will represent a major step forward. The interests of Europe call for a new Treaty which breaks a lot of fresh ground. Features of the Treaties that have proved useful should be retained and developed. The experience gained by the three Communities will be very valuable here. One can only commend the High Authority statement in its political report<sup>1)</sup>, that the unification of the Treaties cannot consist in taking one of them as a model but that a synthesis must be made of the experience so far gained. This will doubtless show that many of the Treaty provisions were ineffective at the very outset or have become obsolete. Such provisions should be struck out or else adjusted or even replaced by fresh ones.

<sup>1)</sup> See Part One, 8.

194. It is clear that the merger of the Communities will involve long and difficult negotiations. This is all the more reason for opening the negotiations as soon as possible and for pursuing them without respite. The European Parliament is convinced that none of the difficulties is insuperable, provided the political resolve to succeed obtains. In the years ahead, the Governments will have to show by their deeds that they still regard European unification as the unalterable objective of their policy.

195. As stated in the previous chapter, the new Executive will have a special responsibility in preparing the merger of the Communities. It will have to draw up general provisions and to defend them in negotiations with the Governments. Where it submits proposals that are conducive to the progress of European integration and where these encounter opposition, the new Executive will be able to rely on the staunch support of the European Parliament. Your Rapporteur stresses this point because he is convinced that the Community institutions have an important part to play in preparing the merger of the Treaties. The negotiations will have to take place at a conference of Government representatives and the new Treaty will have to be ratified by the national Parliaments. This does not mean that the present situation is not quite different from that which obtained when the present Treaties were drawn up. In the strictly legal sense, this means that the Executives can now take the initiative and propose amendments to the Treaty<sup>1)</sup> and that the European Parliament must be consulted about proposed changes before the governmental conference is called.<sup>2)</sup> The needs deriving from political realities are even more significant than the legal aspect.

There are at present three Communities and it is no longer conceivable to wipe them off the political map. Yet as soon as the tenets of these Communities are re-examined, the valuable experience of the Community institutions will come into its own. The new treaty will have to be drawn up in close co-operation between the Governments and the institutions for the latter embody both the Community interest and the solidarity of the European peoples, *i.e.* the single Commission and the European Parliament.

#### B — *The basic implications of the merger of the Treaties*

196. It is not for your Rapporteur to take sides on the various material issues arising here. In the years ahead, the European Parliament will certainly be dealing with these matters so that at the negotia-

<sup>1)</sup> See Article 96, paragraph 1 of the E.C.S.C. Treaty, Article 236, paragraph 1 of the E.E.C. Treaty and Article 204, paragraph 1 of the E.C.S.C. Treaty.

<sup>2)</sup> See Article 236, paragraph 2, of the E.E.C. Treaty and Article 204, paragraph 2 of the E.A.E.C. Treaty.

tions it can throw into the scales the weight of public opinion as well as the experience and the political resolve of its members. Yet it may be pertinent to examine now some of the basic issues that have to be resolved in connexion with the merger and to set out certain ideas on this subject.

The following comments, which should be regarded as a basis for discussion rather than as ready-made solutions, concern three aspects of the problem of the merger: a) the technical form of the new treaty; b) the jurisdiction of the single Community and c) its institutional structure.

197. As regards the form of the Treaty, it is often suggested that there are two alternatives: an outline Treaty or a Treaty of rules. The High Authority broaches this problem in its political report.<sup>1)</sup> It aptly points out that both the E.E.C. and the E.C.S.C. Treaties are mixtures of the two systems and that in both the E.C.S.C. and in the Euratom Treaty the emphasis is on directly enforceable and legally-binding regulations, whereas in the E.E.C. Treaty, the accent is on principles and procedure. The new Treaty is bound to incorporate features deriving from both systems.

This does not tell us, however, where the emphasis of the new treaty should lie. Your Rapporteur is convinced that an outline Treaty would be the best way of building up the structure of the European Community. The main feature of the European Community in the past has been its constant growth. An outline Treaty would allow for constant adjustment to new situations. On the other hand, a Treaty with too many precise and legally-binding regulations would probably prove too rigid. In its political report<sup>2)</sup>, the High Authority itself emphasizes that in 1961 the inflexibility in the Treaty prevented its pursuing a policy, in the coal sector, which it considered most appropriate.

198. On the basis of its experience, the High Authority states that it would be desirable for the single Treaty to make ample provision for amendments at the instance of the Community institutions. The new constitution of the European Community must allow the institutions to intervene in order to make good the shortcomings of the Treaty. These are provisions, however, that should not be used to excess; they will thus probably be limited in scope. It would appear therefore to be better to have a fairly flexible Treaty to avoid frequent recourse to such amendments. An outline Treaty would therefore be more appropriate than one incorporating too many legally precise regulations.

199. In this connexion, your Rapporteur would like to discuss another aspect of the problem. Since

<sup>1)</sup> See Part One, 6.

<sup>2)</sup> See Part Two, 1.

the E.C.S.C. Treaty is, on the whole, more supranational than the E.E.C. Treaty and since it also contains more precise regulations than the latter—which, by contrast, contains more outline provisions—the obvious inference is that a large measure of supranationality calls for a certain type of Treaty.

Your Rapporteur disagrees. On the contrary, under an outline Treaty the cession of sovereignty made by States in favour of supranationality is more clearly manifest insofar as they cede certain legislative powers to Community institutions. In a Treaty incorporating precise regulations, the States would agree among themselves at the outset on rules that then become generally applicable. In an outline treaty, it is left to the Community institutions gradually to establish appropriate regulations. In assessing the supranational character of a Treaty, it is therefore necessary to consider what spheres come within the jurisdiction of the Community institutions and to what institutions this jurisdiction is assigned. If the jurisdiction is wide and if it is vested partly or wholly in Community bodies, then the Community has a pronounced supranational emphasis.

200. This leads us to the second aspect of the merger of the Communities, that is the institutional structure of the new Community. The solution opted for will be decisive in terms of Europe's future. It must be emphasized here that none of the present Treaties can be regarded as a perfect model for the future constitution of the Community. New solutions, geared to the future, will have to be found. All the efforts directed to this end are dependent on the degree to which the people of Europe are represented. At present none of the Treaties gives to the European Parliament the position it must have if European integration is to develop on democratic lines. Your Rapporteur would like to point out that the High Authority has never attempted to take advantage of the inadequacy of the European Parliament's powers under the Treaty to strengthen its own position at the expense of the representatives of the people. Quite on the contrary, it has sought or agreed to exchange views with the European Parliament even in those spheres where the Treaty made no express provision to this effect. It will be recalled that the High Authority has always consulted the responsible committees of the Parliament before setting levy rates. The European Parliament should bring all its authority to bear on the new Treaty to ensure that budgetary problems are solved in the manner it has always advocated.

201. The third aspect that still has to be examined here concerns the material powers of the new Community. It is a matter of ensuring that at least the powers vested in the Communities are not handed back to the States when the merger goes through. This is a point to be stressed in a report on the

activities of the E.C.S.C., for as is generally known, the powers of the E.C.S.C. are in many respects wider than those of the E.E.C. It is therefore necessary resolutely to oppose any attempt to carry through harmonization that results in a "levelling down" of these powers.

Compliance with this minimum requirement is not enough of itself. The new Community must have all the necessary power to draw up a European policy for every branch of the economy. The Community must, furthermore, be in a position to draw

up and carry through a European policy in the field of research. The provisions and resources now available will have to be amalgamated and amplified.

202. To translate these ideas into facts, the Community must have adequate independent revenues. The example of the E.C.S.C. has shown what can be done when a European Community has such revenues. The present endeavours to endow the E.E.C. with independent revenues are, therefore, with the merger of the Treaties in prospect, of vital interest.

**Proposal for a resolution**  
**on the Thirteenth General Report on the Activities of the E.C.S.C. and on**  
**the Political Report of the E.C.S.C. High Authority**

*The European Parliament,*

- a) having regard to the Thirteenth General Report on the Activities of the E.C.S.C. (Doc. 12, I-II);
- b) having regard to the Political Report of the High Authority (Doc. 140, 1964-1965);
- c) having regard to the report drawn up by Mr. Thorn in pursuance of the resolution of 22 March 1965 (Doc. 58);

A — *concerning the policy of the High Authority in general*

1. *recognizes* the value of the initiative taken by the High Authority at the political level during the period under review and *approves* the policy pursued by the High Authority, subject to the points listed below;

2. *welcomes* the Political Report and *expresses its satisfaction* at the High Authority's resolve to continue its work in every sphere, irrespective of the forthcoming merger of the Executives;

3. *requests* that full advantage be taken of the merger of the Executives—which should not impede the progress of European integration or lead to implicit cession of the powers vested in any one of the Communities—to work out, by making the most of the opportunities open under the three Treaties, a balanced and comprehensive approach to the whole field of Community jurisdiction;

4. *stresses* the important part that will be played, after the merger, by the single Executive in the negotiations on the merger of the Communities and *signifies its resolve* to put to advantage its political experience and its authority as representatives of the general public when those negotiations take place.

B — *concerning policy in the various spheres under the jurisdiction of the Community*

a) *on energy policy*

5. *stresses* the rapid and continuous changes in the structure of the energy market, the main feature of which is that in 1965, oil will, for the first time, cover a larger proportion of energy supplies than coal and that imported energy will represent over half the total energy supply coverage;

6. in view of this, *urges* the Community to carry through, as soon as possible, a common energy policy that meets the twin requirements of low-cost supplies and long-term supply security;

7. *invites* the High Authority to co-operate with the Executives of the other Communities in pursuing its efforts to finalize a common energy policy on the basis of the Protocol on Energy of 21 April 1964 and of the undertakings given therein by the Governments;

b) *on the coal market*

8. *notes* the aggravation of the structural difficulties experienced by Community collieries during the period covered by the report, despite the rationalization drive undertaken by the mining industry;

9. *welcomes* the decision taken on 17 February 1965 by the High Authority and unanimously endorsed by the Council, with a view to introducing a Community system governing State aids to the coal industry, for this decision is the first step towards implementing the Protocol of 21 April 1964 and provides a Community framework for the measures urgently required in the collieries;

10. *awaits with interest* the General Objectives for Coal that the High Authority has promised for 1965 and *stresses* that these should embody real political aims which the High Authority should strive to achieve by making the fullest use of its powers and authority;

11. *is convinced* that only a common energy policy that clearly states what share Community coal is to have on the energy market will solve the structural problems of the collieries;

c) *on the steel market*

12. *notes* with satisfaction that the steel industry enjoyed a boom during the period covered by the report and that, as a result, the situation in the steel market became stable;

13. *stresses*, however, that the stabilization of the steel market may again be placed in jeopardy because steel consumption has not kept pace with the expansion of production and that the world market is still subject to pressure from excess supply, and *invites* the High Authority to offset this danger with every means at its disposal;

14. *notes* with concern the steady fall in the proportion of Community ore used by the iron and steel industry and *welcomes* the measures to strengthen the competitive position of the Community iron mines, and *asks* the High Authority vigorously to promote the execution of these measures;

d) *on competition policy*

15. *notes* that the Court of Justice upheld the High Authority decisions authorizing the two Ruhr coal selling agencies and that, as a result, some headway has been made in establishing the basic principle of Community competition policy, and *considers it would be preferable* in the immediate future to await developments, particularly concerning the control exercised over the selling agencies;

16. *reiterates* its concern, intimated in the resolution it passed on the Twelfth General Report of the High Authority, to be kept informed—with due regard for the provisions of Article 47 of the Treaty concerning trade secrecy—of the arrangements for controlling the A.T.I.C. and the Ruhr coal selling agencies and of the outcome of these checks;

17. *welcomes* the detailed High Authority report on the principles at the basis of its competition policy during the period under review and *trusts* that the High Authority will also improve and expand its report in the way these principles are given effect in cases of special importance;

18. *is convinced* that the competition policy pursued by the High Authority over the last thirteen years will provide a valuable working basis for the single Executive and for the relevant provisions in the future single Treaty;

e) *on transport policy*

19. *finds it regrettable* that no solution has been found, during the period under review, to the important problem of publishing rates and conditions of carriage even though the Court of Justice ruling which clearly upheld the High Authority Recommendation, No. 1/61, already goes back nearly three years;

20. *invites* the Governments concerned to expedite the removal of the remaining difficulties and calls upon the High Authority to make every effort to put into effect the provisions of the Treaty;

21. *finds it regrettable* that no progress has yet been made towards approximating rates and *calls upon* the High Authority to use every effort to solve this problem;

f) *on the external relations of the Community*

22. *stresses* that, within the framework of the common energy policy, Governments are under an obligation, devolving from the Protocol of 21 April 1964, to devise and implement a common trade policy for all sources of energy;

23. *is convinced* that the measures taken by the High Authority with regard to iron and steel imports have proved justified, considering the continuing imbalance on the world steel market and the level of customs duties charged by the major steel-producing countries outside the Communities;

24. *welcomes* the decision of the Governments to empower the High Authority to act as their spokesman at the G.A.T.T. negotiations and trusts that these negotiations—where close co-operation between the E.C.S.C. and the E.E.C. is essential—will lead to a final common external tariff rate for steel and to a standardization of the protection practised by the major steel-producing states;

25. *requests* the High Authority to co-operate more closely with the African and Malagasy States associated with the E.E.C.;

g) *on investment and technical research*

26. *re-emphasizes* the need for a high level of investment in the Community industries and *notes* with satisfaction that investments now stand at a relatively high level and that last year saw a recovery in terms of investment projects brought to the notice of the High Authority;

27. *welcomes* the action taken by the High Authority in financing investments as a result of which there was an appreciable increase in loans during the period covered by the report;

28. *welcomes* the creation by the High Authority of a Technical Research (Coal) Committee; *recommends* that its terms of reference should take in every aspect of the coal industry and *trusts* that similar action on behalf of the iron mines will follow;

29. *stresses* the need for intensive research to keep the Community industries competitive, particularly in the coal and iron mines; *welcomes* the large-scale support for coal research but *finds it regrettable* that no further funds have been made available, during the period under review, for research in the iron mines;

30. *considers* that the action taken by the High Authority in the sphere of research and investment is one of the key features of the Community indus-

trial policy that should be pursued and developed in conjunction with the merger of the Executive and the Treaties;

h) *on social policy*

31. *applauds* the social policy pursued by the High Authority and *points out* that this has been largely the result of the Community's having its own resources;

32. *emphasizes* the value of the measures taken within the framework of a balanced employment policy regarding occupational training and the readaptation of workers and *trusts* that the High Authority will step up its efforts to readapt old and physically handicapped workers;

33. *considers* that redevelopment policy comes under Community regional policy and *awaits* with interest the more systematic policy promised in the High Authority's political report;

34. *deplores* the lack of progress towards implementing a European Miner's Code, *approves* the attempts that have been made to implement parts of this Code in progressive stages and *emphasizes* the opportunities opened up by the High Authority decision of 17 February 1965;

35. *calls upon* the High Authority to co-operate closely with the E.E.C. Commission in carrying out its survey of wage trends, to give fuller details on

real wage trends and on the relationship between wages paid in the E.C.S.C. and those paid in other industrial sectors;

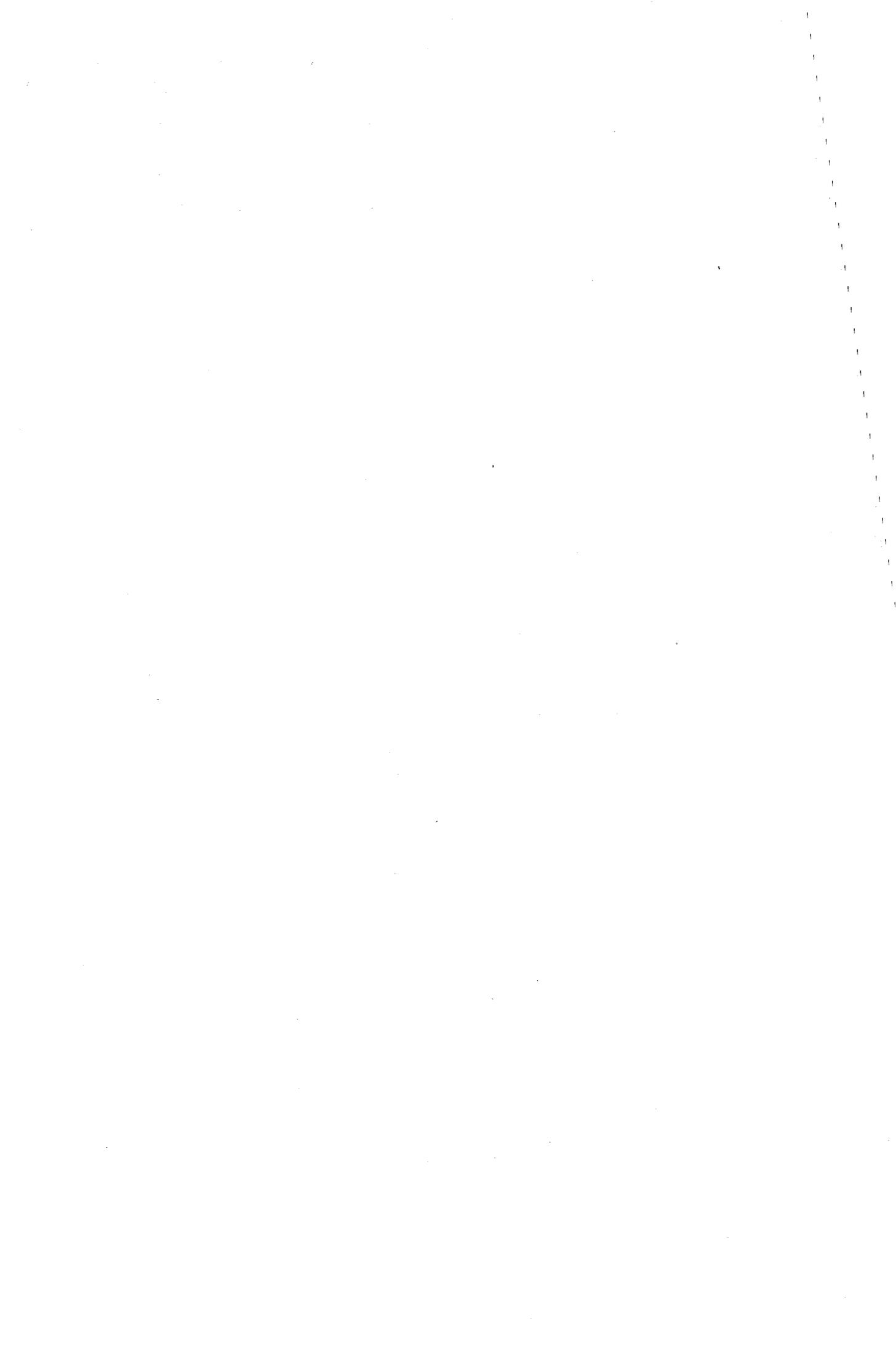
36. *requests* that the total appropriation for house-building under the sixth financial programme be adjusted to allow for increased land and building costs;

i) *on health protection*

37. *notes* with satisfaction that the powers and terms of reference of the Mines Safety Commission have been extended to industrial medicine and *trusts* that it will soon be extended to the iron mines;

38. *asks* the High Authority to make full use of the means at its disposal in order to increase the staff of the Mines Safety Commission so that it may assume all its responsibilities, especially as regards the hitherto neglected requirement of providing information about its work;

39. *stresses* the importance of scientific research and of detailed reports on the results of research on industrial safety and medicine and *trusts*, bearing in mind accident statistics, that the High Authority will step up its work in these spheres and that it will group these statistics according to the type of accident involved and that it will also include minor accidents and occupational diseases.





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