

'Mr Schuman's vision: a combine for coal and steel' from Agence industrielle et économique (13 May 1950)

Caption: On 13 May 1950, the Belgian journal Agence industrielle et économique outlines the scope of the French proposal, which aims to place German and French coal and steel output under the authority of a supranational European organisation.

Source: Agence industrielle et économique. 13.05.1950, n° 212. Bruxelles-La Haye: AGECO. "La vision de M. Schuman: Entente européenne pour le charbon et l'acier", p. 1-6.

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Mr Schuman's vision: a combine for coal and steel

From our office in The Hague

No one can dispute the major political impact and immense importance to industry of the proposals published by Robert Schuman, the French Foreign Minister, regarding the pooling — some papers go so far as to speak of cartelisation — of the coal, mineral and steel manufacturing resources of France, Germany and the Saar ...

The world is changing fast.

The war only ended five years ago and a seat has already been earmarked for Germany as an associate member of the Council of Europe, though it is not actually the seat it will ultimately occupy. Five years after the end of the war a French Minister has proposed an economic union bringing together the coal and steel resources of France and Germany in order to place these key industries under a joint High Authority. Other European nations will be able to take part in this new organisation, which apparently does not only involve re-establishing the pre-war international cartels. Its political functions could mean that it exerts an even greater attraction, although they will probably further complicate the matter.

The world is changing fast in other respects. There is a very real possibility of achieving an economic union of all peoples and the abolition of tariff barriers. On 10 May, Japan published plans in Osaka for a share-out of the world textile market between British, American and Japanese industry (Japan would agree to concentrate mainly on exports of cheap products to south-east Asia and possibly China, leaving the more profitable markets for better quality textile goods to Britain and the United States. There are even plans to form a new world rubber pool, as this year's natural rubber production forecasts are rising fast and Indonesia alone is expecting to produce 520 000 tonnes this year. *Agéco* has hinted on several occasions that efforts behind the scenes to reach agreement between continental or European steel producers would ultimately lead to a determined attempt to restore the international steel cartel. This view was recently corroborated by an article by Bernard Béguin in *Le Journal de Genève* on 1 May. He writes:

‘A map of the mining areas of Western Europe shows the reader the most effective concentration of ore and communication routes. Superimpose on this picture the partitioning caused by political, economic and customs barriers and you arrive at the most absurd carve-up one could possibly imagine.

Under the circumstances it is hardly surprising that after costly isolated attempts, feelers are now being put out beyond national borders to establish closer links. Immediately after the end of the war it was thought that intergovernmental agreements, or even international institutions, would provide a satisfactory solution. During the hostilities we became used to government control over essential sectors of the national economy. We also learnt to distrust private combines, particularly as their specific interests apparently did not always coincide with those of the community. In short the trend was towards central control, planning and international organisations.

But a reaction has set in since. Industry has recovered, protesting at the weight of the administrative constraints imposed by governments, and in Western Europe at least, it has obtained a considerable relaxation of central control. But as a result intergovernmental agreements have lost much of their effect. Having set free-market reforms in motion, governments have no option but to continue and commit themselves to removing other constraints. It is increasingly difficult for them to impose distributive systems.

But the need for an understanding is just as great as before, if Europe is to avoid wasting its energy on sterile internal competition. We have recently seen that this is the case for civil aviation. It is equally valid for the steel industry. Like it or not, it is gradually slipping back towards its pre-war cartel form.

As things stand we have good reason to believe that German industry will take the lead in this trend before long. The scale of unemployment in West Germany exerts considerable downward pressure on wages, placing German industry in a favourable position in the current export price war.

France does not yet seem ready to join a cartel, but it is certainly preparing to do so. With a well-organised, well-protected domestic market to which it sells 80 % of its output, the French steel industry is staking everything on foreign markets. It has already chalked up tangible successes in Argentina, Pakistan and elsewhere.

French firms do not seem to have much confidence in an intergovernmental organisation to manage steel production. They think that the International Authority for the Ruhr will have difficulty enforcing its decisions as soon as the military occupation stops controlling German production. Rather than remaining dependent on coke from the Ruhr, French firms are thinking about developing production of Lorraine coke.

But if they have doubts as to the effectiveness of government agreements, that does not necessarily mean they have ruled out private arrangements. Some believe that France's current policy of selling at any price is intended to create a 'benchmark period' in preparation for a subsequent share-out of markets.

Regarding Belgium and Luxembourg, the former needs to export half its output, the latter more than 90 %. It is immediately apparent from these figures how much both countries stand to gain from any organisation of the European market. Witness the major role they played in the pre-war cartel. However, for a whole series of reasons, Belgian and Luxembourg firms are apparently reluctant to repeat the experience. Their position in the present price war is a delicate one. The Belgian franc is a currency in short supply, which does not encourage exports, and despite unemployment, high costs are a serious handicap.'

It is interesting to compare these views — they reflect the ideas and feelings of economists and industrialists prior to the publication of Mr Schuman's sensational proposals — with the additional factor of a combine.

The importance of this factor is immediately apparent when one considers that this time the initiative to establish a combine among Europe's key industries no longer emanates from the industrialists themselves, who have always felt handicapped by political considerations and other such imponderables, but from a member of the French Government.

To grasp the full import of the French proposal, we need to look closely at a few essential passages of Mr Schuman's declaration:

1) The nature of the combine

'[The French Government] proposes to place Franco-German production of coal and steel as a whole under a common higher authority, within the framework of an organisation open to the participation of the other countries of Europe.

2) The aims of this combine

'The task with which this common higher authority will be charged will be that of securing in the shortest possible time the modernisation of production and the improvement of its quality; the supply of coal and steel on identical terms to the French and German markets, as well as to the markets of other member countries; the development in common of exports to other countries; the equalisation and improvement of the living conditions of workers in these industries.

3) The organisation of the combine

'The common higher authority entrusted with the management of the scheme will be composed of independent persons [...]. A chairman will be chosen by common agreement between the Governments. The authority's decisions will have executive force in France, Germany, and other member countries. Appropriate measures will be provided for means of appeal against the decisions of the authority. A representative of the United Nations will be accredited to the authority, and will be instructed to make a public report to the United Nations twice yearly, giving an account of the working of the new organisation,

particularly as concerns the safeguarding of its specific objects.’

Mr Schuman also explained that the necessary agreements will give rise to official treaties, requiring ratification by the Parliaments. Lastly he emphasised that ‘the institution of the higher authority will in no way prejudice the methods of ownership of enterprises’.

Mr Schuman’s proposal, which will revolutionise Franco-German relations, was very well received by the Chancellor of the Federal Republic of Germany.

In short, it is now the governments that want to take charge of the task of restoring order to European industry. The question, however, is whether they will make a better job of it than private enterprise.

To find an answer we need to look more closely at the roots of the problem. Despite the guarantees Mr Schuman gives, implementing his project would involve a certain reduction in industrial sovereignty, with power being transferred to a higher body, which necessarily will be mainly political. This is a novel situation, which makes it difficult to assess all the repercussions and effects straight away.

The possible consequences could be so momentous as to make them very difficult to analyse for the time being.

Initial impressions abroad

In view of the exceptional importance of the Schuman Plan for the industrial economy of Europe, we have asked our specialist foreign correspondents to carry out a preliminary survey of how the French Minister’s proposals were received.

So far we have received the following replies:

Germany (telegram from our correspondent in Düsseldorf)

‘Very sympathetic reception on the whole, openly enthusiastic on the part of certain politicians who expect advantages of a political order from closer links between France and Germany. In the steel industry the response is also favourable, though slightly hesitant and sometimes markedly reserved, stressing the difficulty of making a clear, certain appraisal of the Schuman Plan without knowing more of the details of its technical implementation or the commercial functions of the projected central body. Some large companies have even emphasised the need to put German and French partners on an equal footing as regards freedom to produce steel for peaceful purposes. Others focus on the disadvantage caused by nationalising the German steel industry in comparison with progress achieved by French plants under the Monnet Plan. How, they ask, will France make allowance for the meagre production capacity of Germany’s steel industry and its lack of rationalisation? How, too, will France cater for the need for massive investment in Germany’s steel industry? How will exports and the calculation of quotas be managed, and over what period of time? These are the main questions raised by the steel industry in the Ruhr, as it attempts to address the technical issues posed by the future combine. But despite these uncertainties and difficulties, the steel manufacturers I have so far been able to contact are generally in favour of negotiations with France.’

Belgium (telephone message from our correspondent in Brussels)

‘The Schuman proposal, received here with great interest, first had the odd effect that people suddenly became much less circumspect in discussions on the matter of principle as to whether the old international steel combine, or a new one, should or could be established. Even high-ranking figures in the steel industry are saying quite openly that the issue of an international steel combine has been under consideration for some time. The new feature that has complicated matters slightly is the management by government inherent in the Schuman plan and the very considerable changes that that may entail. Consequently, and in view of the lack of details regarding the full impact of the French proposal, its reception here has been relatively divided.

Some commentators acknowledge that if the Belgian and Luxembourg steel industry stayed out of the combine, it would certainly cause difficulties. But Belgian industry has always done its utmost to prevent state interference in its business. A certain amount of government control would be inevitable if the Schuman plan was implemented in its present form. Nor can one altogether disregard the role of French ore in supplying steelworks. Would there be a risk of arbitrary price fixing? Incorporation of Belgium's steel industry into the Franco-German organisation would reveal the delay in rationalising operations in Belgian plants — which in fact has hardly started. But what allowance might be made for this factor? There are any number of other questions, we are told, because what Belgian steel does is to a high degree dictated by its major exposure to export markets. This being so, the Schuman Plan creates special problems for Belgian steel. There is little doubt about the plan's political merits and laudable economic aims — to promote stability — but the risks involved in hastily executing such a plan are equally certain. It would require detailed studies to avoid a new system of state control of private industry and the slow transformation of world trade, which is fairly free at present, into a system of economic nationalism.

To sum up, Belgian firms are, as one might expect, far from condemning cartels on principle. They can play an important part in stabilising prices and keeping factories busy. But firms here would have much preferred the French Government simply to issue an invitation to set up a private international cartel for Europe's steel industry.

The time was right to float this initiative. But now the problem is complicated by political obstacles and government interference in the affairs of private industry. In view of all its past experience it is understandable that there is a great deal of hesitation in Belgium's steel industry.'

For the time being we have not received answers from our correspondents in Paris, Luxembourg, London and New York. We hope to publish their reactions in our next edition.