Letter from Michel Rasquin to Joseph Bech (Luxembourg, 12 November 1951)

Caption: On 12 November 1951, as debates are held on the ratification of the ECSC Treaty, the Luxembourg Minister for the Economy, Michel Rasquin, sends a letter to the Foreign Minister, Joseph Bech, in which he outlines his observations on Luxembourg's ratification of the European coal and steel pool.

Source: Archives Nationales du Luxembourg, Luxembourg. Affaires étrangères. Traités. Dossiers individuels économiques et financiers-Traité instituant la CECA, Paris le 18 avril 1951, Conclusion, AE 11590.

URL:
http://www.cvce.eu/obj/letter_from_michel_rasquin_to_joseph_bech_luxembourg_12_november_1951-en-ba5dbf2e-16f0-4e16-85fe-12c530a2a942.html

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Letter from Michel Rasquin to Joseph Bech (Luxembourg, 12 November 1951)

The Minister for Economic Affairs
to
The Minister for Foreign Affairs

Following your letter dated 5 September, I enclose below my comments on the draft explanatory statement accompanying the Act concerning approval of the European coal and steel pool (the Schuman Plan).

I will merely allude here to comments of a social or political nature for the record, and confine myself to more specifically economic matters.

According to Mr Jean Monnet the Schuman Plan should bring about the following three basic changes in Western Europe:

a) a supranational community;
b) a common market for 150 million consumers and the pooling of coal and steel resources;
c) an end to the restrictive practices of cartels and any excessive concentration of economic power.

As you point out in your draft statement, there is a clear interdependence between the six countries concerned by coal and steel.

Ore: Economically viable quantities

France:	5 200 million tonnes
Luxbg:	250
Belgium:	-
Germany:	168
Italy:	50
Holland:	-

Coal:

France:	4 000 million tonnes
Luxbg:	-
Belgium:	10 000
Germany:	75 000
Italy:	-
Holland:	5 000

It is apparent from these figures that: France is very rich in ore, but poor in coal; Germany is very rich in coal, but very poor in ore; Holland has coal, but no ore; the same applies to Belgium, and Italy is poor in both ore and coal.

There is consequently no doubt that France and Germany will occupy the strongest position in the pool as regards production, with Italy least well placed.

In terms of consumption Germany consumes the most ore; Italy the most coal. The least valuable markets are Italy, Holland and Belgium, whereas Luxembourg is the smallest.

Here is the share of the three largest coal and steel producers (as a percentage of the whole):

	Coal	Steel	Total
Germany	51	38	43

Saar	7	6	1.3
France	23	27	27
Italy	1	7	7

We can draw an initial conclusion from these figures taken as a whole: on our own, we cannot stay out of the pool.

The second conclusion is that the coal and steel economies of the six countries are not only interdependent but actually complementary; so, in principle, there is a justification for the community.

Thirdly, the pool could secure and stabilise the core industries of all six countries, in particular the Grand Duchy.

Fourthly, output within the pool is insufficient, as regards both coal and steel, to drive a growing economy. Therefore the pool cannot do without the support of other countries, for either procurement of raw materials or the sale of finished products.

Fifthly, the pool has one very serious shortcoming: it only caters for domestic markets, whereas it should cater for outside markets to the same extent. In other words the basis of the pool is either too large or too small. Some countries — France, for example — have the advantage of enjoying favourable terms in the markets of their overseas dominions. It also seems essential that agreements should be reached, regardless, with Great Britain (Europe’s largest producer of coal and steel) and the Scandinavian countries. Truth to tell, this is not really a European pool but just a small part of Europe.

So there is an economic justification for the pool;

we cannot afford not to belong to it if it comes into existence;

it needs to be extended beyond the domestic market and must lead to agreements with European countries outside the pool.

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However, these are theoretical considerations and, as far as the Grand Duchy is concerned, we need to look at things from a practical point of view.

The aim of the pool is to create a single market. What does that mean? The following are not compatible with a common market: import and export duties, and quantitative restrictions on the movement of products; measures or practices establishing discrimination between producers, between buyers or other users, particularly with respect to the terms of sale or delivery and transport tariffs; measures or practices impeding a free choice of supplier on the part of the buyer; subsidies or grants; restrictive practices aimed at market sharing or exploitation.

All this poses several problems:

a) a problem of customs tariffs and tax revenue;
b) a problem of transport;
c) initial equalisation (cost price).

Tariffs

We need to set up a customs union with a single tariff. This could be done quickly for coal, on which the duty is insignificant.

As for steel, there are two categories of country: France, Germany and Italy where duty ranges from 10 % to 30 %; and Benelux where it only ranges from 1 % to 6 %. Alignment will be required.

As the final average tariff will depend on the concessions on other products that the other countries are prepared to make in compensation, the changes will affect our entire customs policy and thus the whole economy.

Special arrangements will need to be made for an interim period.

Transport

In principle, transport should be carried out as if there were no borders.

Strict application of this principle would have resulted in such a large drop in the revenue of our railway that our negotiators demanded and obtained guarantees that seem to be sufficient.

But it must be clear that these guarantees are in fact an additional expense for our steel industry, putting it in an even more unfavourable position.

Cost price

Initially the most favourable conditions will undoubtedly be enjoyed by industries established:

a) on the coal fields;
b) on the mineral fields;
c) on the best transport routes.

We are established on a mineral field, but we buy all our coal, scrap metal and ore abroad.

We have no means of canal or river transport.

This puts our steel industry at a disadvantage.

Foreign companies (particularly in Germany) can be integrated, in other words merged into a single economic unit spanning the successive stages of production (coal, steel), and may derive considerable benefits from this situation which actually seem to us contrary to the spirit of the pool. However, the High Authority is supposed to ensure that the rules of the pool are applied throughout. The question is, will it do so? The pool would require a complete end to any cartels, something which does not seem to have been fully achieved so far.

Within the pool self-financing will no longer necessarily be possible. The High Authority itself will have access to substantial financial resources:

a) from an equalisation fund;
b) from a compensation fund; and
c) from an investment fund.

In the last analysis these facts make it necessary to harmonise direct and indirect fiscal legislation. There is every reason to make allowance for these eventualities straight away.

The draft explanatory statement mentions compensation for the price of Belgian coal, a measure that could seriously change the position of our steel industry in relation to its Belgian counterpart. Our negotiators have done their utmost to obtain certain guarantees in this respect, but I do not think they can be considered entirely satisfactory.

Payroll and social security costs play a fairly large part in the coal and steel industry.

In this respect our costs are higher than those of the Dutch, French and German industries. Unfortunately the terms of the Treaty do not provide for any effective measure in this respect. Article 63 forbids the introduction of lower wages as a means of economic adjustment. It also forbids the existence of abnormally low wages. But otherwise the Authority can only make recommendations to the companies and governments concerned.

There is therefore a very real risk that several countries belonging to the pool may have excessive recourse to policies based on low prices and low wages. This represents a serious threat to our standard of living and the purchasing power of our working masses, and that of the whole population.

Lastly, it must be agreed that currency manipulations by one or other of the partners cannot be allowed to give its industries an advantage.

The Treaty will be valid for 50 years. How will our mineral reserves stand then? What guarantee do we have of maintaining our industrial base? Are the guarantees afforded by the Treaty sufficient? I think not.

Final considerations

Within the pool we are at a disadvantage, in terms of:

a) ownership of raw materials;
b) absorptive capacity of the domestic market;
c) availability of transport;
d) payroll and social security costs;
e) scope for investments;
f) impossibility of gradually reducing excess workforce;
g) political clout.

Furthermore the steel industry occupies a position in our country that it enjoys nowhere else.

It is the basis of our economic existence and consequently of our political existence.

Under these circumstances we should demand:

1) relaxation of Articles 95 and 96 concerning scope for revision;
2) a safety or termination clause in the event of a threat to our national economy and social structure;
3) the obligation to review the Treaty after expiry of the transitional five-year time limit.

The Minister for Economic Affairs