Pierre Delville, The Belgian coal industry and the Schuman Plan (1951)

Caption: In 1951, Pierre Delville, Director General of the company Evence Coppée et Cie and Chairman of the Association Charbonnière du Centre (Centre Coal Association), considers the impact of the Schuman Plan on the Belgian coal industry.

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The Belgian coal industry and the Schuman Plan

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When the French Foreign Minister made a statement on 9 May 1950 on the establishment of a European coal and steel community, the industry welcomed this initiative with the enthusiasm that any sincere attempt at European unification deserves. Manufacturers suffer all too often from the fragmentation of markets, so the least they could do was give the benefit of the doubt to a move designed to remove artificial barriers between Western countries.

But as we all know, Mr Schuman's promising idea has unfortunately been deformed in many ways since the negotiations started in Paris. We should emphasise straight away that the criticism levelled at the plan today primarily concerns those changes.

We know that the Paris negotiations led to the drawing up of a treaty and several annexes, the largest one being the Convention on the Transitional Provisions, which comprises a series of measures intended by the negotiators to make it easier for Belgium's coal industry to join the common market. The purpose of the following pages is to examine the Schuman Plan with regard to its economic impact on Belgian coal, so we shall start by briefly analysing these transitional provisions, which of particular concern to us. However, the provisions at issue cannot be taken separately from the full agreement signed on 18 April 1951, which is why we shall also be led to make some more general comments on the overall agreement.

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Provisions concerning the integration of Belgian coal into the common market

The position of the Belgian coal industry was one of the most sensitive items on the agenda of the negotiations. The text of the Convention on the Transitional Provisions reflects this, with a very long, complicated passage (section 26) devoted exclusively to the rules applicable to Belgian coal, at which we shall look more closely.

The founding principle of the Schuman Plan is to establish a common market for coal and steel. Given the problems facing our mines — difficult coal fields and particularly high labour costs, the Belgian coal industry being part of a high-wage economy — it was agreed that our fuel would stay out of the common market during the transition period, the length of which is predetermined and cannot exceed five years.

This lapse of time, which may, in exceptional, unforeseen circumstances, be extended by a further two years, must be used to facilitate the final integration of our coal-mining economy into the European market.

The following measures have been decided for this purpose:

1. On the basis of the medium-term forecasts for the coal industry produced by the High Authority, this body will be able to impose on the Belgian government certain cuts in output, not exceeding a 3 % annual limit, this limit potentially being increased by a coefficient of reduction based on the previous year's production. In theory, this provision is designed gradually to eliminate, without damaging supplies, the least cost-efficient mines thought not to be viable in the common market.

2. Belgian coal prices may be reduced 'to the vicinity of the forecast costs of production of such coal at the end of the transition period'. It should be noted that these hypothetical production costs must take into account, in the minds of the negotiators, a 15 % drop in Belgium's production potential. But a system of compensation funded by Belgian government subsidies and levies on other coal-producing countries will be allocated to the Belgian coal mines still in operation. However, the level of such compensation has not been decided, in the sense that there is no mention of whether it will cover all or a fixed share of the difference between the lower price that has been proposed and the current price. The text merely states that compensation is intended to help bring the Belgian price closer to the common market price, to give Belgian

mines an 80 % compensation for the shortfall on exports (due to occur immediately, on the basis of common market prices), and lastly to enable the Belgian steel industry to join the steel common market immediately. At this point there is a fairly vague clause, which grants Belgian steel additional compensation for the difference between the price of Community coal and the higher price of Belgian coal.

3. The Belgian government will make sure that our fuel is kept out of the common market during the transition period, retaining or establishing all the necessary arrangements to this effect. This is a formal dispensation from Article 9 of the treaty, which prohibits all discriminating practices.

4. Lastly, this special system will be dismantled after five years (or at the very latest after seven years) in compliance with means and procedures to be determined by prior agreement between the High Authority and the Belgian government. These procedures could involve the government allocating subsidies justified by differences between coal fields and obvious disparities affecting operating costs (in particular this concerns wage differences). But the value of the subsidies and the associated procedures are subject to the Authority's approval. The latter body will seek to reduce them as quickly as possible, nevertheless preventing 'the displacements of production which might occur from provoking fundamental disturbances in the Belgian economy'. Furthermore, the Special Council of Ministers must approve the tonnage qualifying for a subsidy every two years.

Such are the main provisions which, over and above the general provisions of the treaty and partly in dispensation from it, will govern Belgian mines during the transition period and once this period has elapsed. The question now is whether these provisions will really facilitate the integration of our coal-mining economy into the common market.

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Persistent wage disparities

A common market is only workable if there is a certain balance between the production costs of the various units in competition. In other words, before a common denominator for sale prices can be found, production costs need to be harmonised to some extent, starting with the decisive factor, which is wages.

If at the outset the disparities between wages are slight, we may reasonably assume that establishing a common market will automatically bring about the necessary adjustments without causing any serious inconvenience to the various partners.

If, on the other hand, there are substantial disparities — as is indeed the case for Belgium in relation to Germany and the Netherlands — it will not be possible to achieve a balance without extremely serious turmoil in the 'leading' economy.

Mr Schuman quite understood the importance of this problem. Accordingly, in his statement on 9 May 1950, he set forth as one of the prime goals of the future Community 'the equalisation and improvement of the living conditions of workers in these industries'.

But in the final wording of the treaty, yielding to pressure from the German and Dutch delegates, the notion of 'equalisation' has vanished from the list of goals. It is simply cited as a possible but in no way necessary consequence of the improved living standards which would be achieved, as a priority, in countries with low wages. It is certainly no longer among the missions set for the High Authority.

If the Community has no power to force countries with low wages to make the necessary adjustments, we might at least have expected that some appropriate mechanism might have brought about such adjustments automatically. This result would have been achieved if the length of the transition period had depended on the real disappearance of basic disparities. It would have been in the interest of low-wage countries to bring forward wage increases in order to enjoy the benefits of a single market sooner. The Belgian delegation constantly pressed for this solution during the negotiations. It was supported in this respect by a unanimous opinion delivered by the Central Council for the Economy.

But with the transition period set immutably at five years, the very same countries will on the contrary have an incentive to maintain existing disparities for as long as possible. In this way they can be sure of enjoying a particularly advantageous position in the common market, at the end of the transition period. Germany, in particular, has adopted this stance, officially proclaiming and applying the doctrine that holding back any wage increases is essential to restoring the country's economy. Nor should we suppose that introducing the principle of joint management in basic industries will make any difference to this policy of austerity. The trade unions are all in favour of it, as was clearly stated by the delegates during the negotiations.

We may therefore be sure that there will be no upward harmonisation of living and working standards and that the transition period will fail to achieve its primary goal, namely, to facilitate the integration of the Belgian coal industry into the common market, in particular by removing basic disparities in production costs.

As a result the Belgian coal industry will find itself, after five or seven years, with a wage-related handicap much the same as the one with which it is currently saddled. This is the first reason why it is concerned about the Schuman Plan coming into force in its current form.

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Inadequate compensation of prices

The second reason why we consider that the transition period is not an effective aid for our mines relates to the organisation of the compensation system for prices.

Some people imagine that this system involves a sort of retooling subsidy which the Dutch and German mines, on the one hand, and the Belgian government, on the other, will have to pay to our mines for five years, enabling the latter to modernise their facilities and tools sufficiently to compete successfully in the common market.

This is a complete misconception.

The only effect of the compensation system will be to make up for the difference between the current value of a tonne of coal and the price which will be fixed once the High Authority has reached an agreement. The production cost of Belgian coal is then expected to be brought down to this wholly theoretical amount by the end of the transition period. Furthermore, there is no certainty that the compensation system will cover the whole of our output, and we already know that it will only apply to 80 % of the shortfall on coal exports to other countries in the pool.

So, far from assisting Belgian mines in their efforts to modernise, the price system planned for the transition period will merely cause further difficulties. If our mines nevertheless manage to continue the work they have undertaken, it will certainly not be thanks to the system purportedly set up for their benefit, but rather in spite of it.

As for the option available to the Belgian government to maintain its subsidies after full integration into the common market, it has to be admitted that this too is illusory. If, as is to be expected, wage disparities have not disappeared by then, the cost of a compensatory subsidy would be so high that the national community, deprived of the assistance it will enjoy during the transition period from a compensation fund half of which is covered by foreign companies, would be unable to support this burden alone for very long.

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Danger of production shifts

The third legitimate cause for concern is related to the various provisions covering ‘shifts in production’.

These provisions are one of the ways in which the basic principle of the treaty will be applied, namely that ‘the Community must progressively establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States’ (Article 2 of the treaty).

However, the Convention on the Transitional Provisions neither guarantees the ‘continuity of employment’ nor protects the national economy against ‘fundamental and persistent disturbances’. Furthermore, its provisions represent not only a social and economic risk for our country but also a political threat which we cannot ignore.

The principle according to which production is bound to develop in countries and regions with the highest productivity, to the detriment of others, may have a certain theoretical appeal. But in practice, owing to the differences between the coal fields, productivity has always been lower, all other things being equal, in Belgium than in the Ruhr, so production shifts can only go in one direction, namely, to the Ruhr’s advantage.

An upper limit has certainly been set for such shifts during the transition period: 3 % of Belgium’s annual output, not including further reductions based on changing economic conditions. This in itself should be a major cause of concern because it means that the High Authority can force the country to reduce coal output by 900 000 tonnes a year, equivalent to the output from two or three medium-sized pits. Moreover, this limitation is only valid for five years. After that, the Authority will be fully entitled to impose much larger cuts on us, and it will certainly be tempted to do so, the Ruhr having had the time and the resources to modernise its machinery just as much as Belgian mines and perhaps more so.

These shifts in production will inevitably result in redundancy for increasing numbers of miners.

Some are tempted to minimise the danger, arguing that the labour force in our mines comprises many foreign workers. Surely all that needs to be done, if a pit closes, is to lay off a sufficient number of foreigners to enable all the Belgians who have lost their jobs to find work?

This line of reasoning disregards an essential factor: the foreigners, who make up a third of the total workforce, are only employed on jobs at the coal face, above all cutting coal, work that Belgians are increasingly reluctant to do.

If there are redundancies following a pit closure, Belgian workers will never agree to replace foreigners in other mines, less still in other regions, at the bottom of the pit.

The danger of further unemployment is all the greater because in many places, particularly Borinage, the mines are the main source of work. If they close, this will not only deprive the miners of their livelihood but also all the local shopkeepers and small contractors.

The Convention on the Transitional Provisions certainly provides for a ‘readaptation’ mechanism, including assistance for creating new activities to employ workers laid off by pits that are to close. But it would be foolhardy to suppose that artificial means can prevent large-scale unemployment. Similar attempts, tested before the war in depressed areas of the United Kingdom, failed to yield satisfactory results. Apart from the technical and psychological difficulty of turning large numbers of miners into workers fit for other trades, we would have to cope with the problem of the viability of new industries in areas where they did not develop spontaneously. There is a very real risk of areas where there is still work being turned into depressed areas.

Furthermore, shifting production from Belgium to Germany is bound to upset the regular supply of fuel and consequently the stability of our economy.

We should never lose sight of the fact that Belgium's economic activity is mainly based on heavy industry, which uses large amounts of coal. A constant supply is essential. In periods of prosperity, when consumption increases, the regularity of deliveries is vital. But if at such times it must rely on foreign supplies, we may be sure that it will be badly served. It is only natural that at times of shortage, pits in other countries should give priority to domestic consumers for supplies of coal.

Countries dependent on coal imports can attest to the truth of this statement. We seem to have forgotten this in Belgium, because since the war, thanks to the efforts of our mines, the country has no longer needed to import coal. In France, for example, all the specialists are well aware of the danger. In its 1950 Management Report, Charbonnages de France [the French coal board] sums up the situation very well: 'It has been shown that when demand increases we cannot rely on imports. The European market lacks any flexibility, and when there is a sudden surge in demand, the security of France's coal supply depends primarily on output from its own pits.'

Some may object that it will be the job of the High Authority to ensure that supplies are fairly distributed at times of shortage. But the Schuman Plan does not do away with national bodies in the political arena. As long as such bodies exist, governments will do everything within their power to put national interests first. Germany will undoubtedly occupy a dominant position in the new combine, precisely because of its industrial potential, and this predominance will steadily grow as production shifts in its favour with the support of the High Authority.

In this way, in just a few years, Belgian industry will find itself completely dependent on Germany for its supply of coal. We believe that this is the most serious of all the dangers to which the Schuman Plan exposes us.

In this respect, it is worth noting that France, whose pits register an average output little higher than their Belgian counterparts, has no intention of cutting back its production resources. On the contrary. At the beginning of 1950 it was decided to limit the investment of Charbonnages de France in line with annual output of 55 million tonnes, but the authorities have since changed their minds, setting their programme in line with a capacity of 60 million tonnes.

Lastly, we should stress how precarious Belgium's predicament would be in an economic downturn.

As we know, in a period of 'manifest crisis', the High Authority may, as stipulated by Article 58 of the treaty, set production quotas. This is the only means it has to prevent the onset of 'fundamental and persistent disturbances' in the hardest hit countries and to preserve, with a view to more favourable economic conditions, the full potential of the combine's natural resources.

However, the High Authority needs the approval of the Special Council of Ministers before it can resort to the option of setting quotas. We may be quite certain, even now, that the Council will never agree to such a measure. The ministers who make up its number reflect the national interests of individual member States, and they will vote in line with those interests. In other words, as Germany and the Netherlands have the lowest production costs they will always oppose the introduction of quotas, in order to take advantage of an economic downturn to take control of the French and Belgian markets. Italy and Luxembourg, which only consume coal, will think that there is nothing to be gained from a measure that only benefits coal producers. So France and Belgium will be in the minority.

The protective measures in Article 58 for dealing with periods of manifest crisis will consequently never be applied. As another clause of the treaty bans the introduction, however temporary, of customs tariffs or quantitative restrictions, Belgium and France will be invaded, with no means of defence, by German coal. This will be a disaster for our pits, the effects of which no amount of 'readaptation' could relieve.

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It should be clear by now why it would be a serious mistake to agree to all the cuts in production potential, without reserving the right to discuss the matter beforehand.

Our Central Council for the Economy was consequently quite right to deliver the following unanimous opinion on 4 April 1951:

‘Considering the above and the present impossibility of predicting with any certainty how Europe’s economy will evolve, the Council considers that a reduction in the coal production potential cannot be unilaterally imposed on Belgium during the transition period and that Belgium cannot take any firm undertaking in this respect at present.

‘If at the end of the transition period there is a likelihood that Belgium cannot be sure of a regular supply of coal in sufficient quantity, taking into account the long-term outlook, the Council considers that the situation should be reviewed and that Belgium cannot be required, at that point, to join the single market without restrictions.’

It is a great pity that this opinion was not taken into consideration during the final phase of negotiations, despite it be being based on simple common sense.

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The period of the treaty is too long

If the Schuman Plan is implemented, the threats to our coal-mining economy will be aggravated by the particularly lengthy duration of the undertakings it contains.

In practice, a period of 50 years is tantamount to an unlimited duration. Provision should consequently have been made for either revision at regular intervals or the option, always open to contracting parties in international treaties of economic significance, to denounce the agreement after a reasonable period of notice. Experience has shown this to be the only way of preserving the vital interests of participating countries.

Unfortunately, the agreement signed on 18 April 1951 makes no provision for an option of this sort, and the entitlement of each state to submit amendments at the end of the transition period will have little impact. In fact, even a country whose very survival is endangered by membership of the Community can only leave with the unanimous approval of the other partners. In other words, in practical terms, withdrawal from the pool is impossible.

Nor does the treaty make any provision for a country to take temporary protective measures, unlike the agreement establishing the European Payments Union (EPU). This example may give a better understanding of the dangers that the Schuman Plan represents for Belgium. What would have happened to us if the EPU had been established for 50 years without a safeguard clause for member countries faced with an exceptional threat? Barely one year after the Union was launched, events that could not have been foreseen at the outset distorted the sensitive mechanism worked out by the experts, and Belgium was able to take advantage of the safeguard clauses. In a domain as fast-moving as the economy, it makes no sense to make a commitment for 50 years without including a comparable clause.

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Excessive central control

Lastly, a basic criticism must be levelled at the entire treaty concerning the truly excessive central control which underpins all its economic provisions.

The only power that really needed to be invested in the High Authority was the power to carry out a gradual harmonisation of wage differentials during the transition period. However, the treaty carefully omits to invest it with that power.

On the other hand, the High Authority enjoys the most far-reaching powers in all other respects. It can fix the upper and lower levels of prices; it draws up production programmes; it is empowered to impose cuts on the production potential of certain regions, in particular Belgium; it can demand details of companies' investment plans and oppose the deployment of such plans, if it sees fit. It keeps a close watch on agreements between companies, but may allow them to continue under exceptional circumstances; it even controls company mergers; it has the right to enforce all its decisions with exorbitant fines and penalties. In short, the High Authority interferes in everything that usually constitutes the field of action specific to private enterprise. Indeed, it begs the question of how a central body could possibly take such a wide range of decisions concerning hundreds of companies in six different countries, which despite their basic similarities are subject to a wide variety of operating conditions. Just imagine the bureaucracy to which it will give rise, with its habitual outcome: the impossibility of taking decisions in good time. The only effect that such a system can possibly have is to obstruct the spirit of enterprise, at a local and regional level, while overloading excessively the work of the central body.

By agreeing to submit to this organisation, Belgium will give up, once and for all, everything that has so far contributed to its grandeur and prosperity: the audacity and spirit of enterprise of its industry, and the remarkable flexibility of its economy.

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Conclusion

We have made it abundantly clear what those in industry who care about the success of this sector and the economy as a whole and, above all, the interests of their country may and should think about the Schuman Plan. It will be impossible in practice to harmonise living standards and the conditions of work and labour. It will be increasingly difficult to retool the pits on account of the price system imposed during the transition period. A large number of industrial sites will close, with rising unemployment. Areas of endemic depression will develop in our once flourishing provinces. The spirit of enterprise will vanish. The supply of fuel to all our industries will become uncertain. The upshot of all this will be that Germany's industrial and political leaders will hold sway over our industry, and by extension over the whole economy. These are the main threats to which our country will be exposed if it adopts the Schuman Plan.

The nation's representatives must now be aware of these dangers. We very much hope that when the time comes to take a decision on the treaty, they will put the country's interests first.

There is only one thing for the coal industry to do: having pointed out the danger to those who still have the power to counter it, having informed them and underlined their responsibilities, the industry must continue with its appointed task, in the service of the nation. Accordingly, with or without the Schuman Plan, it will continue the vast programme of refitting decided in 1947, officially approved by the Conseil National des Charbonnages (national coal mining council) in 1949, and now in progress. The investments covered by this scheme will exceed 15 billion Belgian francs. Industry alone will clearly not be able to shoulder this burden. But the country will understand that it needs to support this effort, because it is vital for everyone's well-being. Our compatriots will also understand that an up-to-date coal industry is an essential condition for our future prosperity.

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