

Summary of NRW/CIV/S4/3453 of 12 Oct.
two copies of which were forwarded by Henry Walch to Foreign Office on 13 Oct.
Notes on the meeting of the Main Committee on 30th
September, 1950, at Düsseldorf

PRO FO 321/83865

Present: Fugmann, Bungeroth, Cromberg, Dörrenberg, Eicken
Goergen, Haiblen, Hannesen, Hölbe, Ibach,
Niederstein, Patt, Pfeiffer, Rhode, Schily, Schwede,
Sandler, Springorum, Strohmenger, Uhlenbrook,
Vogerau, Wiedenhoff, Wuppermann, Deist, Harten,
Monden, M.C. Müller, Sohl, Wesemann, Grunewald,
Henseler, Mommsen, Muthmann, Niebuhr, Schruiff,
Ahrens, Blankenagel, Salewski.

Chairman: B. Fugmann

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Fugmann opened the meeting and greeted those present, especially the special expert for iron and steel at the Schuman Plan Conferences, M.C. Müller. Herr Blankenagel then gives a report on the progress and present situation of the Schuman Plan negotiations.

1. Schuman Plan

Dr. Blankenagel The National Delegations are obliged to have the State Agreement on the Schuman Plan ready by middle October if possible. The Americans especially wish that the union of heavy industry comes about as quickly as possible. Because of this there is an attempt to make capital out of the matter and to apply pressure on us. Apparently the State Agreement will only be a solution of basic problems, some main problems, however, such as that of Belgian Coal and Italian steel should be left open in the meantime.

Once the Parliaments of the Nations taking part have accepted the State Agreement, another year will be necessary before the development of a practical solution (four months for coal and eight months for steel). In this year the political industrial experts will have to be brought in more than previously. As far as one can see, at least three to five years will have to pass before a final picture of the industrial union can be produced.

In so far as the setting up of the ordinance of the Schuman Plan Organisation is concerned, there are numerous questions still open. The Korea crisis gave the opportunity to alter earlier plans and to make the position of the Council of Ministers stronger in relation to the High Authority. The Union Parliament will, in accordance with its original ideas consist of 80 members taken from the Union Nations. There will be an Advisory Committee consisting of representatives of consumers, workers and employers with the High Authority. The question as to whether the regional groups should also have such Advisory Committees will be considered.

Contrary to the original conception that regional groups can in certain cases cross national borders (e.g. a union of South German and Saar works), it has been decided that only works belonging to one Land can be joined together into a regional group. In each Land taking part the works will be compulsorily linked by law. The French value the idea that in France there should be one Regional Association for its iron and steel concerns. A similar solution, therefore, seems possible for us. However, the idea which was also being considered, of linking coal and steel in a German Regional Association, is likely to fail because of political opposition of other member States of the Union as well as through the objections from the

side of the coal industry. It has not yet been explained whether the steel industry and ore mining can be linked together in a single Association.

In so far as the question of which products should be taken into the industrial union is concerned, opinions are very varied. Contrary to the proposals of other delegations, our delegation has put forward the opinion that steel tubes should be taken into the Union, this is also in the interests of the tube industry. Cast steel will apparently not be taken into the union in spite of the opposition of the Belgians. Refined steels will also be taken in as well as the tubes, but certain assurances are foreseen which will make it possible for the special circumstances of these products to be considered. It is not known whether scrap will also be taken in.

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In the field of customs politics, there is the difference between inland and external customs. The internal customs will be lifted in the industrial union. After several days of discussions over the effect of this measure, Professor Hallstein stated that he would demand for us a regional protection which will come into force at the moment that the French broad rolling mills start working and will be removed only when our own broad rolling mill starts to produce. Further Herr Müller proposes having discussions with the French with reference to the granting of certain priorities and the first, to enlarge the coal mills in our fine-plate rolling works. Further he recommended that thought should be given to the closing of contracts, favourable as far as quantities and price are concerned, in plates until the German broad rolling mill was ready. It appears necessary to get the question of the broad rolling mill settled. The Federal Government should, therefore, be requested to make a demand to the OEEC. Professor Hallstein will try by representations to come nearer to this goal. There are still difficulties in so far as external customs are concerned where the other delegations were ready to lay down the Benelux customs as a basis. Such a development is impossible for us and for France also. Now in conjunction with the French we will examine in how far the import of English materials into the Union Nations is to be reckoned with, in order to be able to meet the idea of the Benelux States with suitable arguments.

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The German delegation wishes to introduce a clause into the State contract whereby imports which will bring serious damage to one or more of the works can result in special protective measures. The questions brought up if the proposals which have been worked out for the industrial union are in agreement with the regulations of the GATT have been answered in detail by a testimonial of a German Professor, who states that it is not necessary on the basis of the GATT agreements to ask for a qualifying agreement of the GATT partners to the Union Nations.

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As far as the question of the production programme was concerned, there was a vague proposal by Belgium and Luxembourg, which was turned down by the majority.

In the investment question, the German delegation represented with all emphasis that the Federal area should have priority. In contrast to a Dutch proposal, only projects which are financed with foreign funds should be placed before the High Authority for its sanction.

The problem of prices is very difficult. The French, as previously, are strong protagonists for a price equalisation mechanism. They envisage that the German prices should be raised and

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the French prices lowered, and this manipulation will be borne financially half by us and half by the French State. If other compensation thrusts are taken into account, as well as other surplus expenditure which will result from this manipulation, the German steel industry would have to produce 275 million marks a year. No account has been taken in this figure of a possibility of an increase in the price of coal. The DMBL state that the demands made upon it will amount to one million DM per year and has estimated that the price of coal will have to be increased by 9 marks a ton.

It now seems certain that all matters of price will have to be decided by the Regional Associations. The High Authority can only turn down these regulations if an important basic idea of the industrial union has been harmed. The question of wages will also be left to the regional groups.

Mention must also be made of a Belgian/Luxembourg idea of getting a common ruling on exports. It would appear necessary to go into this idea, even though concrete results can only be expected at a later date.

M.C. Müller expands the previous theme as follows:

The Belgian demands in so far as the compensation fund is concerned are too extravagant. On the steel side it would appear that compensation payments for France and the other Lands are not necessary at all. However, for Italy it will be necessary to find a suitable solution.

The possibilities of the High Authority influencing price regulations of the Regional Associations are still quite considerable. In the last few days Article 30 of the Agenda has been fully discussed. According to this Article the High Authority can intervene if the Governments of these Nations taking part take steps which will give their industries unfair starting or working conditions. The questions has been raised for example whether the High Authority can intervene if a member nation of the Union has a revaluation of currency. Not all delegations share the German view that the High Authority can only intervene where governmental measures do not only effect single industries, but the whole economy of the Land.

The French Ore mines do not wish to be united with the steel industry when the regional groups are set up. As far as can be seen three regional groups of ore producers will be set up in France (North Africa, Normandy and the Lorraine area). The figure announced by the German steel industry as its needs for the next years until and including 1952, 400 million DM, is looked upon as being too small. The hard coal mining industry has reckoned on a sum of 500 million DM including housing. It will be necessary to re-examine the needs of the steel industry whereby it should be taken into account that foreign loans bring with them a certain indebtedness.

In the question of customs, the German side is looking for a suitable solution independently of Torquay.

Fugmanh mentioned some particular points. The aim of bringing all German iron and steel firms into a unified regional group was to be striven for. Whether the ore mines should be included with the steel industry in one group depended largely on what the French did, but it was important to remember that little German ore was exported. The regional group should be given as much authority as possible. The

question of forming advisory committees for each region was not a matter of fundamental importance. There was unanimity that membership of the regional groups must be compulsory. The chairman should be elected by the group and confirmed by the High Authority. In the scope of the regional groups, the traders could only be treated as consumers.

The long discussion on the incorporation of the tube industry into the Pool has led to no decision yet.

Dr. Deist estimated that the steel industry needed 400 million (TDM's) in the next two years, half of which could come from foreign and half from domestic sources.

Dr. Ahrens pointed out that in view of the housing programme and the proposed broad strip mill, the bid for investment capital at Paris should be raised considerably. Müller, Deist and Ahrens would re-examine the question.

Of special significance were the nominations to the High Authority. If this body consisted of 6 members, then each participating country would have one seat, if 9 members, then France, Italy and the Federal Republic would have two seats each. This question would be gone into with Bonn. It was considered necessary for the members of the High Authority to be experts.

Lastly, Müller emphasised that the High Authority will also have its own administrative staff. The personnel would be made up in accordance with a definite relationship. For instance Germany could provide 50 - 70 members in a staff of 300. This question would be dealt with in detail in good time.

2. New Member The firm Hilgers AG was accepted as member.

3. Prices of rolled Products

The rolling foundries have asked that the rebate of 3% on the list prices, instituted in Autumn 1948 on the recommendation of our committee, be struck off in view of the changed circumstances. In discussions, they have accepted the recommendation of our committee that the rebate be reduced to 2%. This was sanctioned by the meeting.

4. Insurance of Machinery

After a year of negotiations between our insurance committee and leading insurance firms, for a practical arrangement in this matter, the insurance firms have now offered a type of contract which our committee considers very favourable, and on which they recommend insurance contracts be based. The meeting agreed that members be fully informed by circular, but that it should be left to the firms themselves whether they make such contracts.

5. Limitation of Raw Steel Production

The interim decision of the New York Conference not to restrict production means that no difficulties can be expected as yet. The formal condition, that production during the year ending September, 1950 in excess of the 11.1 million tons limit may be counted with next year's production will be discussed later. It seems, however, that the Allies do not intend to raise the basic limit for next year's production, but to allow excess production only insofar as it is exported to the Atlantic Pact nations.

Mommien explained that the IAR would discuss in the coming week whether a minimum quota for export steel is to be laid down. He points out that the Gruppe Walzstahl considers that 650,000 tons of rolled steel per month is insufficient for inland needs. After examining the needs of the shipbuilding industry, and the capacity of the processing industry, it was seen that 750,000 tons were needed. Apart from this, shortages in supply of semis must still be removed.

Sohl was of the opinion that the works could not produce more than 13.5 in tons of raw steel per annum. Any increase above this figure would depend on new investments, on the supply of raw materials, and the rebuilding of individual works.

Springorum confirmed this restricted capacity in block and semis mills, and, especially, in smelting capacity.

6. Fuel Supplies

Sohl, Fugmann and Goergen expressed their anxiety as to the supply of coke. The processing industry had protested in Bonn against the export of semis, and similar steps should be taken to reduce the export of coke. Müller pointed out that a bottleneck in foundry cokes was felt in all Western European countries, so that increased demands for Ruhr coke had arisen. It was decided to form a small commission to discuss appropriate measures.

7. Anti-Cartel Law

The meeting agreed to Fugmann's suggestion that the DKBL and the WvES should each write to Erhard to emphasise that neither coal nor steel should be affected by the planned law, since certain institutions to control the market will be formed under the Schuman Plan.