

Herr Blankenagel reported as follows on the progress of the Schuman Plan negotiations:—

" A crisis had arisen just before Christmas because the French were insisting upon signature of the Draft Treaty on conditions which were unsatisfactory to the German delegation. The German delegation had, however made strong representations at all working levels about its own conceptions for a solution of the many problems at issue, with the result that negotiations were temporarily suspended and the scene of activity was transferred from Paris to Petersberg. In that quarter three main questions were thereupon discussed: prohibition of fusion of assets, anti-cartel provisions, and the prime question of excessive concentration of power within the High Authority, linked with the exclusion of the influence of regional groups.

The prohibition of fusions is inseparable from the re-organisation principles under current discussion between the Allies and the responsible Federal agents within Germany. It is to be hoped that these negotiations will result in success for the German viewpoint. The question impinges not only upon the size of unit companies, but also above all upon the question of combined economy between coal and steel.

The anti-cartel provisions as at present envisaged are directed above all against D.K.V. It is impossible to say at present whether there will be any agreement. Meanwhile, however, there is an unfortunate impression that the Americans are pressing hard for a dissolution of D.K.V.

About ten days ago Dr. Henle dealt with this problem, and the question of extending the influence of regional groups and the working of the pool, in his address given before the Economic Research Association in Duisburg. His exposé reflected the full scope of our conceptions on the subject and was a constructive and convincing argument in their favour. Copies of his address will be made available to members of the Committee and individual plants shortly.

The temporary suspension of negotiations had led Monsieur Monnet to produce a new draft of the Treaty and a new formulation of the memorandum on the transitional period. As far as the Treaty is concerned, the copy in our possession does not, unfortunately, include formulae on the cartel monopoly, price, and trade negotiation aspects. In our view, the new draft is even more restrictive than the earlier versions in so far as the High Authority may in times of boom or slump exercise greater plenary powers over investment policy. In addition, for the first time, a whole series of provisions for the operation of the Court of Appeal and its competence appear. These are of far-reaching effect. The regional groups, in the new draft are now no longer even ancillary bodies but are in fact only allowed to co-operate if they include representatives of employees and consumers. It is envisaged that the task of the High Authority in this Sector would be to ascertain whether the pre-conditions upon which we stand are in fact fulfilled.

Such solutions would lead to the problem of whether another organisation would have to be built up in parallel with the present Steel Trade Association, on the basis of the premises envisaged. If the latter were the case, it was problematical whether the Steel Trade Association would be able to participate in the work of the pool at all.

There is an outline of the method of building up the organisation of the work of the pool in the memorandum on the transitional period. According to this, the High Authority should first be created and then put in the foundations. This central apparatus covers statistics and assesses the overall position in coal and steel, iron ore and scrap, in the whole pool area. After the equalisation funds have been put into operation, the unified market for coal iron ore and scrap is created, followed two months later by steel.

A particularly important provision is that the High Authority is to be given a blank cheque for the transitional period of about five years, and may exercise plenary powers in times of boom and slump. It may operate without the safeguards envisaged in the final form of the Draft Treaty, and take all measures which in its view are necessary. The German delegation have protested sharply against this decision and had insisted that the same premises which would be effective within the pool in its final form should also operate during the transitional period.

Italy would be in a special position during the transitional period, having the privilege of retaining her present customs tariffs and then be enabled to liberalise and lower the rates from year to year. The German delegation used this special provision in an attempt to obtain the retention of protective tariffs for flat rolled products as an intrinsic part of the Treaty. Mr. C. Müller is doing the necessary in this direction. In the coal sector an agreement was being sought in which Germany would pay 60 pfennigs per ton of coal to Belgium and 10 pfennigs to France in cases where (under certain conditions) collieries had to be closed down. On the question of the sub-division of products and markets between coal and steel enterprises there appears to have been a new development; not only is there to be a restriction of the percentage of total production within the pool for each enterprise in crude steel and rolled products, but the sub-division may also cover specific groups of products. The German delegation had pointed out the difficulties of this provision and had indeed given a whole series of examples where precarious marketing terms might arise for the producers. These doubts have been transmitted to Herr Müller in Paris.

In the tariff sector, Mr. Monnet still intends, over the heads of the French iron and steel industry, to reduce the external tariffs of the pool to the level of those of the Benelux countries. We have had discussions with our French partners on this subject, and have extended their scope in the light of the latest steel price and railway freight tariff increases: we are attempting to obtain a settlement providing for tariffs lying half way between the French and German tariffs, as the external figure for the whole pool. On the advice of Min. Dir. Reinhardt, we have proposed that there should be a certain co-relation in the first five years between the lowering of tariffs and the approval of investment projects. This would allow the German industry within the five years to carry out effective modernising of plant and thereby improve our competitive power.

We have made a further proposal that the German - French rates should be commuted to the external tariff rate of the pool on the following conditions:-

- (a) In times of boom, France and Germany should deliver the import requirements of the Benelux countries on the basis of a period of reference to be worked out, taking into account the quantities in past periods;
- (b) The price concession entailed on the German side (abolition of dual pricing) would be compensated by the Benelux countries, who would undertake to accept appropriate quantities from Germany and France in both normal and slump periods. The Benelux countries would be released from this obligation, to an extent to be agreed, if the pool price should rise above the world price. The appropriate percentage above the world price would have to be worked out in detail. The world price would be fixed on an average basis over the whole range of products delivered from countries outside the pool to the Benelux countries in normal or slump periods.

Hallstein has gone to Paris again in order to discuss the outstanding questions, and we should proceed on the premises that he is willing to conclude the Treaty as soon as possible."

The Committee agreed to the proposed lines of action.