

Outward Telegram from Commonwealth Relations Office

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TRADE DEPARTMENT
T. 2120/361

TO: CANADA (GOVT.)
AUSTRALIA "
NEW ZEALAND "
SOUTH AFRICA "
INDIA "
PAKISTAN "
CEYLON "
SOUTHERN RHODESIA (GOV.)

RFTD. H.M. AMBASSADOR FOR UNITED KINGDOM IN DUBLIN
H.M. AMBASSADOR WASHINGTON } VIA F.O.
U.K. DELEGATION PARIS }

(DATED 9th April, 1951)

B.No.17 SAVING }
Dublin No.42 SAVING } CONFIDENTIAL

Addressed to Governments of Canada, Australia, New Zealand, South Africa, India, Pakistan, Ceylon and Southern Rhodesia
B.No.17 Saving, repeated to H.M. Ambassador for United Kingdom in Dublin No.42 Saving, H.M. Ambassador Washington, U.K. Delegation, Paris.

SCHUMAN PLAN

My telegram B.No.69 Saving of 23rd October.

1. Allied High Commission in Germany on the 29th March decided certain problems in connection with the reorganisation of the German coal and steel industries. These decisions covered:-

- (a) the extent to which German steel concerns should be allowed to own coal mines;
- (b) the form of this "combined ownership"; and
- (c) the phased abolition of the Central Sales Agency for the German coal industry.

2. It had been clear for some time before this meeting that unless these problems were solved, German adherence to the Schuman Plan Treaty could not be assured and the United States High Commissioner in Germany therefore undertook discussions with the German Government. As a result of these discussions, certain agreements were reached and, after approval by the French, were embodied in detailed proposals put forward by the German Government.

3. Combined ownership. As regards ownership of coal mines by steel concerns, the German Government proposed that some 16.5% of the German coal industry should be linked to steel concerns. The United Kingdom has always regarded the ownership of coal mines by steel companies on any extensive scale as economically unnecessary

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and dangerous for various reasons. "Combined ownership" on a large scale involves considerable concentration of power; the steel industry which owns the mines may enjoy undue advantages vis-a-vis other kinds of coal consumers and competing steel industries; and the ownership link makes it more difficult to bring either coal or steel industries under a system of public ownership. For these reasons our policy in Germany was directed towards ensuring that financial links between coal and steel companies should only be permitted when technically necessary, which in the view of our experts could rarely be proved.

4. Form of combined ownership. A mitigating feature of the Federal Government's proposals, introduced at the insistence of the German Trade Unions, was that "combined ownership" should be realised by the establishment of Holding Companies which would hold shares in the subsidiary and separate coal, steel and processing concerns. These Holding Companies would exercise considerable influence on general policy of subsidiary companies but the latter would remain independent, e.g. for accounting purposes. Such a system would not place great obstacles in the way of the planned development of the coal or steel industries, or of any eventual decision by the Germans to bring them under public ownership, and would lessen the dangers of the steel companies obtaining coal at an unduly favourable rate.

5. German Coal Sales Organisation. The German proposal envisaged the phased dissolution of the German coal sales organisation. This was set up after the war under our auspices, with the function of distributing orders from Germany and abroad among the coal concerns, all of which are compulsory members and subscribers. It does not fix the price of coal (this is done by the Federal Government). Certain provisions of the Schuman Plan Treaty would eventually require the liquidation of the organisation. The Americans strongly disliked this Organisation which they regarded as cartelistic; we, for our part, never considered that its future was involved in the implementation of Law 27 or that it played any harmful role.

6. When the German proposals were placed before the Allied High Commission on the 29th March, the United Kingdom High Commissioner was in a difficult position. On the one hand, for the reason given above, the proposals were not wholly palatable, though the degree of combined ownership now approved is considerably less than that which the Germans originally demanded. On the other hand it was not possible to consider these problems on the basis of technical arguments alone; it was clear that the Americans and French would be prepared to out-vote us in the Allied High Commission Council on issues which admitted of no appeal to Governments, and our disapproval of the German proposals could not fail to be misrepresented as an expression of the United Kingdom's desire to sabotage the Schuman Plan negotiations.

7. The U.K. High Commissioner was accordingly instructed to vote for the German proposals in the Allied High Commission Council on the understanding that the matter would be reconsidered if the Schuman Plan Treaty were not ratified by the Parliaments of the six countries participating in the Schuman Plan discussions. The German proposals were, therefore, subject to this understanding, passed unanimously at the Council meeting of the 29th March.

Copy to:- D. II.

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