

Convention containing the Transitional Provisions

THE HIGH CONTRACTING PARTIES:

DESIRING to establish the Convention containing the transitional provisions as provided for in Article 85 of the Treaty,

HAVE AGREED to the following:

PURPOSE OF THE CONVENTION

Section 1

1. The purpose of the present Convention, drawn up in compliance with Article 85 of the Treaty, is to set forth the measures necessary for the creation of the common market and the progressive adaptation of production to the new conditions in which it will take place, in a way which will facilitate the removal of the disequilibria which resulted from previous conditions.

2. To this end, the Treaty will be placed in effect during two periods, to be known as the preparatory period and the transition period.

3. The preparatory period will extend from the date on which the Treaty goes into effect to the date on which the common market is created.

During this period:

(a) the institutions of the Community will be established and the relations among these institutions, the enterprises and their associations, and the associations of workers, consumers, and distributors will be organized in such a way as to place the operations of the Community on a basis of constant consultation and to establish a common viewpoint and mutual understanding among all the interested parties;

(b) the action of the High Authority will involve

(1) studies and consultations;

(2) negotiations with third countries.

The purpose of the studies and consultations is to permit the establishment of an overall view of the situation in the coal and steel industries of the Community and of the problems which this situation involves, through constant cooperation among the High Authority and the governments, the enterprises and their associations, the workers and the consumers and distributors; and to make possible the preparation of the concrete measures which must be taken to cope with those problems during the transition period.

The purpose of the negotiations with third countries is to establish bases of cooperation between the Community and such countries, and to obtain, prior to the elimination of customs duties and quantitative restrictions within the Community, the necessary exceptions to:

— the most-favored-nation clause within the framework of the General Agreement on Tariffs and Trade and of bilateral agreements; and

— the non-discrimination clause governing the liberalization of trade within the framework of the Organization for European Economic Cooperation.

4. The transition period shall begin on the date on which the common market is created and shall end at the expiration of a period of five years following the creation of the common market for coal.

5. The provisions of the Treaty shall be applicable as soon as the Treaty goes into effect under the provisions of Article 99, subject to the exceptions and without prejudice to the additional provisions contained in the present Convention for the purposes defined above.

Except where otherwise expressly provided in the present Convention, such exceptions and additional provisions shall cease to be applicable and the measures taken for their implementation shall cease to have effect upon expiration of the transition period.

PART ONE - Implementation of the Treaty

CHAPTER I – Establishment of the Institutions of the Community

The High Authority

Section 2

1. The High Authority shall assume its duties upon the designation of its members.

2. In order to fulfil the mission which it is assigned by virtue of Section 1 of the present Convention, the High Authority shall immediately exercise the information and study functions conferred on it by the Treaty, in accordance with and using the powers specified in Articles 46, 47, 48 and 54, paragraph 3. As soon as the High Authority is established, the governments shall bring to its attention, in accordance with Article 67, any action likely to modify competitive conditions and, in accordance with Article 75, those clauses of trade agreements or of other agreements of analogous effect which pertain to coal and steel.

On the basis of the information received on equipment and on investment programs, the High Authority shall determine the date as of which the provisions of Article 54, other than those referred to in the preceding paragraph, shall be applicable as concerns both investment programs and projects under way on that date. The next to last paragraph of Article 54 shall not apply, however, to projects for which orders were placed prior to March 1, 1951.

Upon its establishment, the High Authority shall, in consultation with the governments, exercise to the extent necessary the powers provided in paragraph 3 of Article 59.

The High Authority shall not exercise the other functions bestowed upon it by the Treaty prior to the opening date of the transition period for each of the products in question.

3. On the dates specified above, the High Authority shall inform the member States that it is in a position to assume each of its functions. Until such notification, the corresponding powers shall continue to be exercised by the member States.

Nevertheless, subsequent to a date which the High Authority will fix upon its establishment, consultations will take place between the High Authority and any member State prior to any legislative or regulatory measures which such State might propose to take concerning matters with respect to which the High Authority has competence under the terms of the Treaty.

4. Without prejudice to the provisions of Article 67 concerning the effect of new measures, the High Authority will examine with the governments concerned the effect on the coal and steel industries of existing legislative and regulatory measures, particularly those which concern the fixing of prices of by-products outside the High Authority's jurisdiction, as well as of contractual social security systems to the extent that such systems have consequences equivalent to those of regulatory measures. If it finds that, by their own effect or by the discrepancies which they create between two or more member States, certain of these measures could seriously endanger competitive conditions in the coal and steel industries on the market of the countries in question, in the rest of the common market or on export markets, the High Authority shall, after consulting the Council, propose to the governments concerned any action which it deems necessary to correct such measures or to compensate for their effects.

5. In order that its action may repose on bases independent of the varying practices of enterprises, the High Authority shall, in cooperation with the governments, the enterprises and their associations, the workers and the consumers and distributors, seek a way to make comparable:

— the price scales practised for different qualities of products based on the average price for such products, or for the successive stages of processing such products; and

— the calculation of amortisation allowances.

6. During the preparatory period, the principal task of the High Authority shall be to enter into relations with the enterprises, their associations, and the associations of workers and of consumers and distributors, in order to acquire a concrete understanding of the overall situation as well as of the individual situations in the Community.

With the aid of the information which it gathers concerning markets, supplies, production conditions of enterprises, living conditions of the workers and modernization and equipment programs, the High Authority will draw up in cooperation with all interested parties a general review of the situation of the Community in order to enlighten their common action.

The measures necessary to establish the common market and to facilitate the adaptation of production will be drawn up on the basis of these consultations and of this overall understanding.

The Council
Section 3

The Council will meet during the month following the establishment of the High Authority.

The Consultative Committee
Section 4

In order to establish the Consultative Committee in accordance with Article 18 of the Treaty, the governments shall forward to the High Authority upon its establishment all information on the situation of the producers', workers', and consumers' organizations for coal and for steel existing in each country; such information shall cover in particular the composition, the geographical scope, the statutes, the duties, and the role of these organizations.

On the basis of the information thus obtained and within two months following its establishment, the High Authority shall request the Council to designate the producers' and workers' organizations authorized to present candidates.

The Consultative Committee shall be set up within the month following this decision of the Council.

The Court
Section 5

The Court shall assume its duties upon designation of its members. Its first President shall be designated in the same manner as the President of the High Authority.

It shall establish its rules of procedure within a period of three months thereafter.

Appeals may be introduced before the Court only after the publication of these rules of procedure. The levying of daily penalty payments and the collection of fines shall be suspended until that date.

The periods of grace for the introduction of appeals shall run only from the same date.

The Assembly
Section 6

The Assembly shall meet one month following the date of establishment of the High Authority to elect officers and draw up its rules of procedure. The first meeting of the Assembly shall be called by the President of the High Authority. Until its officers are elected, the Assembly shall be presided over by its eldest member.

The Assembly shall hold a second meeting five months after the date of establishment of the High Authority to hear a report on the overall situation in the Community, accompanied by the first general estimate of expenditures.

Administrative and financial measures
Section 7

1. The first fiscal year shall extend from the date of establishment of the High Authority to June 30 of the following year.

2. The levy provided in Article 50 of the Treaty may be collected as soon as the first general estimate of expenditures is prepared. As a transitional measure and to meet initial administrative expenses, member States shall make reimbursable advances without interest, allocated in proportion to their contributions to the Organization for European Economic Cooperation.

3. Until the Commission provided for in Article 78 of the Treaty has decided upon the number of employees and their status, the necessary personnel shall be hired on a contract basis.

CHAPTER II – Creation of the Common Market

Section 8

After the way has been prepared by the establishment of all the institutions of the Community, by general consultations among the High Authority, the governments, the enterprises and their associations, the workers and the consumers, and by the overall review of the situation in the Community derived from the information thus obtained, the common market will be created in accordance with the provisions of Article 4 of the Treaty.

These provisions shall enter into effect, without prejudice to the special measures provided in the present Convention:

(a) for coal, upon notification by the High Authority that the perequation measures provided in Part Three, Chapter II of the present Convention, have been placed in effect;

(b) for iron ore and scrap iron, on the same date as for coal;

(c) for steel, two months after the date specified above.

The perequation measures provided for coal under the provisions of Part Three of the present Convention shall be placed in effect within six months following the date the High Authority is established.

In case an additional period should be necessary, it shall be fixed by the Council upon the proposal of the High Authority.

Elimination of customs duties and quantitative restrictions

Section 9

Subject to the special measures provided in the present Convention, the member States shall eliminate all export and import duties or equivalent charges and all quantitative restrictions on the movement of coal and steel within the Community on the dates fixed for the creation of the common market for coal, iron ore and scrap iron and for steel, respectively, under the terms of Section 8 above.

Transport

Section 10

The High Authority shall immediately call into session a Commission made up of experts designated by the governments of the member States, which shall be charged with the study

of measures relative to the transport of coal and steel. These measures shall be proposed to the governments in furtherance of the aims defined in Article 70 of the Treaty.

Without prejudice to the provisions of the last paragraph of Article 70, the negotiations required to obtain the agreement of the governments to the various measures proposed shall be undertaken upon the initiative of the High Authority. The High Authority shall also take the initiative in any negotiations which may prove necessary with interested third countries.

The measures to be studied by the Commission of experts are the following:

- (1) elimination of discriminatory practices contrary to the provisions of paragraph 2 of Article 70;
- (2) for transport within the Community establishment of direct international rates which take into account total distance and are degressive in nature, yet do not prejudice the distribution of charges among the transport enterprises concerned;
- (3) examination of the prices and conditions of transport of every nature applied for coal and steel in the case of the different methods of transport, in order to harmonize these prices and conditions within the Community to the extent necessary for efficient operation of the common market, taking account, among other elements, of the real cost of transport.

The Commission of experts must carry out its studies within the following time limits:

- three months for the measures referred to in paragraph (1) above; and
- two years for the measures referred to in paragraphs (2) and (3) above.

The measures referred to in paragraph (1) shall go into effect not later than the creation of the common market for coal.

The measures referred to in paragraphs 2) and 3) above shall go into effect simultaneously as soon as the agreement of the governments is obtained. In the event, however, that the governments of the member States fail to agree on the measures referred to in paragraph (3) above within two and a half years following the establishment of the High Authority, the measures referred to in paragraph (2) shall go into effect separately on a date fixed by the High Authority. In the latter case, the High Authority shall make, upon the proposal of the Commission of experts, such recommendations as it deems necessary to avoid serious disturbances in the field of transport.

The rate measures referred to in paragraph 4 of Article 70, which are in effect upon establishment of the High Authority, shall be brought to the attention of the High Authority, which shall grant the necessary time limits for their modification in order to avoid serious economic disturbances.

The Commission of experts shall seek and propose to the governments concerned the exception which the latter shall authorize the Luxembourg government to make to the measures and principles defined above in view of the special situation of the Luxembourg Railways.

After consulting the Commission of experts, the governments concerned shall authorize the Luxembourg government to continue to apply during the permanent period the solution adopted, to the extent required by this special situation.

Until an agreement on the measures referred to in the above paragraphs is reached among the governments concerned, the Luxembourg government is authorized to refrain from applying the principles set forth in Article 70 of the Treaty and in the present section.

Subsidies, direct or indirect assistance, special charges Section 11

Upon establishment of the High Authority, the governments of the member States shall notify the High Authority of any assistance and subsidies which are being granted to, or any special charges which are being imposed upon the operation of the coal and steel industries within their respective territories. Unless the High Authority agrees to the maintenance of such assistance, subsidies, or special charges and to the conditions to which such maintenance is subject, they shall be suspended on the dates and under the conditions fixed by the High Authority after consulting the Council, with the stipulation that such suspension shall not be obligatory prior to the opening date of the transition period for the products in question.

Agreements and monopolistic organizations Section 12

All information concerning agreements or monopolistic organizations covered by Article 65 shall be brought to the attention of the High Authority under the terms of Section 3 of that article.

In those cases where the High Authority does not grant the authorization provided in Section 2 of Article 65, it shall fix reasonable time limits at the expiration of which the prohibitions provided in Article 65 shall take effect.

In order to facilitate the liquidation of the organizations prohibited by virtue of Article 65, the High Authority may name liquidators which shall be responsible to it and shall act under its instructions.

With the assistance of such liquidators, the High Authority shall study the problems which arise and the steps which should be undertaken in order:

- to assure the most economic distribution and use of the products, and particularly of the different varieties and qualities of coal;
- to avoid, in case of reduced demand, cutbacks in production capacities which are necessary to the supply of the single market in normal periods or in time of economic prosperity, particularly in the case of coal installations;
- to avoid an inequitable distribution among the workers of such reductions in employment as might result from reduced demand.

On the basis of these studies and in accordance with the missions assigned to it, the High Authority will establish any procedures or organizations permissible under the Treaty which it

may deem appropriate to the solution of these problems in the exercise of its powers, in particular under Articles 53, 57, 58, and Chapter V of Title Three. The duration of such procedures or organizations will not be limited to the transition period.

Section 13

The provisions of Section 5 of Article 66 shall be applicable as soon as the Treaty enters into effect. In addition, they may be applied to concentration operations carried out between the date of signature of the Treaty and the date of its entry into force if the High Authority has proof that these operations were carried out in order to evade the application of Article 66.

Until the regulation specified in Section 1 of Article 66 has been issued, the operations referred to in Section 1 shall not obligatorily be subject to prior authorization. The High Authority shall not be obliged to issue a decision immediately on the requests for authorization submitted to it.

Until the regulation specified in Section 4 of Article 66 has been issued, the information referred to in that Section can be demanded only of enterprises subject to the jurisdiction of the High Authority under the terms of Article 47.

The regulations specified in Sections 1 and 4 of Article 66 shall be issued within four months of the establishment of the High Authority.

The High Authority shall gather from the governments, the associations of producers, and the enterprises all information necessary for the application of the provisions of Sections 2 and 7 of Article 66 concerning the situations existing in the various regions of the Community.

The provisions of Section 6 of Article 66 shall become applicable as the provisions which they respectively sanction enter into effect.

The provisions of Section 7 of Article 66 shall be applicable upon the date of creation of the common market under the terms of Section 8 of the Convention.

PART TWO - Relations of the Community with third Countries

CHAPTER I – Negotiations with third Countries

Section 14

Upon the establishment of the High Authority, the member States shall undertake negotiations with the governments of third countries, and particularly with the British Government, on overall economic and commercial relations concerning coal and steel between the Community and such countries. The High Authority, acting upon instructions adopted unanimously by the Council, shall act for the member States as a group in these negotiations. Representatives of the member States may be present at these negotiations.

Section 15

In order to give the member States complete freedom to negotiate concessions on the part of third countries, particularly in exchange for a lowering of customs duties on steel in the

direction of a harmonization with the least protective tariffs practised in the Community, the member States agree to the following provisions to take effect upon the creation of the common market for steel

For imports from third countries which fall within quotas to be set in accordance with the fourth paragraph of this section on the basis of domestic consumption of the products in question, the Benelux countries will maintain the duties which they are applying at the time of the entry into force of the Treaty.

The Benelux countries shall subject imports which take place over and above this quota, and which are thus considered to be destined for trans-shipment to other countries of the Community, to duties equal to the lowest duty applied, within the framework of the Brussels Nomenclature of 1950, in the other member States upon the entry into force of the Treaty.

Such « tariff quotas » shall be established annually for each heading of the Benelux tariff code by the governments of the Benelux countries in agreement with the High Authority, subject to revision every three months; they shall take account of the evolution of requirements and of trade patterns. The first such quotas shall be fixed on the basis of average imports of the Benelux countries from third countries during an appropriate reference period, taking account, if necessary, of new production scheduled to supersede certain of such imports. Excess imports necessitated by unforeseen requirements shall immediately be reported to the High Authority, which may forbid them subject to the application of temporary controls on deliveries from Benelux countries to the other member States, if it should note a sizeable increase in these deliveries solely as a result of such surplus imports. Importers in the Benelux countries shall be entitled to obtain the lowest customs duty only if they agree not to re-export the products in question to the other countries of the Community.

The obligation of the Benelux countries to establish a « tariff quota » shall be terminated as may be provided in the agreement concluded as a result of the negotiations with Great Britain, and in any case not later than the end of the transition period.

If, at the end of the transition period or upon earlier removal of the « tariff quota », the High Authority should recognize that one or more member States are justified in practising toward third countries customs duties higher than those which would result from a harmonization with the least protective tariffs applied in the Community, it may, under the conditions provided in Section 29, authorize these States themselves to apply the appropriate measures to assure, for their indirect imports through member States with lower tariffs, a protection equal to that which results from the application of their own tariff to their direct imports.

In order to facilitate the harmonization of customs duties, the Benelux countries agree to increase their present tariffs on steel within a maximum limit of two points to the extent deemed necessary by the High Authority in consultation with their governments. This obligation shall not become effective until the « tariff quota » referred to in the second, third, and fourth paragraphs of this Section shall be eliminated and until at least one of the member States bordering on the Benelux countries shall refrain from applying the equivalent mechanisms referred to in the immediately preceding paragraph.

Except with the agreement of the High Authority, the obligation contracted by virtue of Article 72 of the Treaty shall prohibit the member States from binding through international agreements those customs duties in effect at the time of the entry into force of the Treaty.

Prior bindings resulting from bilateral or multilateral agreements shall be reported to the High Authority, which will examine whether their maintenance appears compatible with the efficient operation of the common organization, and, if necessary, may make such recommendations to the member States as may be necessary to remove these bindings according to the procedures specified in the agreements involved.

Section 17

Trade agreements which are to remain in effect for more than one year following the date of entry into force of the present Treaty, or which contain a clause providing for tacit renewal, shall be reported to the High Authority, which may address such recommendations to the member State concerned as may be necessary to bring the provisions of such agreements into conformity with Article 75 according to the procedures specified in such agreements.

CHAPTER II – Exports

Section 18

Until the provisions of the exchange regulations of the various member States which concern foreign exchange left at the disposal of exporters are made uniform, special measures must be applied in order that the elimination of customs duties and quantitative restrictions among member States shall not cause certain of these States to be deprived of the proceeds in the foreign exchange of third countries earned by the exports of their enterprises. In application of this principle, the member States agree to apply their own exchange regulations in such a way as to permit coal and steel exporters to utilize foreign exchange earnings only to the extent permitted under the exchange regulations of the member State on whose territory the product in question originated.

The High Authority shall be empowered to see to the application of such measures by addressing recommendations to the governments after consultation with the Council.

Section 19

If the High Authority should find that, by substituting re-exports for direct exports, the creation of the common market results in a shift in the pattern of trade with third countries which causes substantial harm to one of the member States, it may, at the request of the government concerned, require the producers in such State to insert a destination clause in their sales contracts.

CHAPTER III – Exception to the most-favored-nation clause

Section 20

With regard to those countries benefiting from the most-favored-nation clause through the application of Article 1 of the General Agreement on Tariffs and Trade, the member States shall take joint action towards the Contracting Parties to the abovementioned Agreement in

order to exempt the provisions of the present Treaty from the application of the article in question. If necessary, a special session of the Contracting parties to the G.A.T.T. shall be requested for this purpose.

As concerns those countries which, while not parties to the General Agreement on Tariffs and Trade, nevertheless benefit from the most-favored-nation clause by virtue of bilateral agreements in effect, negotiations shall be undertaken upon the signature of the Treaty. In the absence of consent on the part of the interested countries, such commitments shall be modified or denounced in accordance with the terms thereof.

Should a country refuse its consent to the member States or to any one of them, the other member States agree to lend effective assistance, which may even extend to denunciation by all of the member States of the agreements concluded with the country in question.

CHAPTER IV – Liberalization of Trade

Section 21

The member States of the Community recognize that they constitute a special customs system in the sense of Article 5 of the Organization for European Economic Cooperation's Trade Liberalization Code as it stands on the date of signature of the Treaty. They therefore agree to make the necessary notification to the Organization.

CHAPTER V – Special provision

Section 22

Without prejudice to the expiration of the transition period, coal and steel trade between the Federal Republic of Germany and the Russian Zone of Occupation shall be regulated by the Government of the Federal Republic in agreement with the High Authority.

PART THREE - General precautionary measures

CHAPTER I – General provisions

Readaptation

Section 23

1. If the consequences of the establishment of the single market should oblige certain enterprises or parts of enterprises to cease or to modify their activity during the transition period defined in Section 1 of the present Convention, the High Authority, at the request of the interested governments and under the conditions specified below, shall furnish assistance in order to protect the workers from the burdens of readaptation and assure them a productive employment, and may grant non-reimbursable assistance to certain enterprises.

2. At the request of the interested governments and under the conditions defined in Article 46, the High Authority shall participate in a study of the possibilities of reemployment for unemployed workers either in existing enterprises or through the creation of new activities.

3. According to the procedure specified in Article 54, the High Authority shall facilitate the financing of approved programs submitted by the interested governments for the transformation of enterprises or for the creation, either in the industries coming under its jurisdiction or, with the concurrence of the Council, in any other industry, of new, economically sound activities capable of providing a productive employment for workers who have been released. Subject to the concurrence of the government concerned, the High Authority shall give preference in granting such facilities to the programs submitted by enterprises which have been obliged to cease their activity on account of the establishment of the common market.

4. The High Authority shall grant non-reimbursable assistance for the following purposes:

(a) to contribute, in case of total or partial closing of enterprises, to the payment of allowances to tide the workers over until they can find new employment;

(b) to contribute, by means of allotments to enterprises, to assuring the payment of their personnel in case of temporary unemployment necessitated by their change in activity;

(c) to contribute to the payment of allowances to workers for reinstallation expenses;

(d) to contribute to the financing of technical retraining for workers obliged to change employment.

5. The High Authority may also grant non-reimbursable assistance to enterprises obliged to cease their activity on account of establishment of the single market, provided that the sole and direct cause of this situation is the limitation of the single market to the coal and steel industries, and that this situation leads to a relative increase of production in other enterprises of the Community. Such assistance shall be limited to the amount necessary to enable the enterprises to meet payments which are due immediately.

Any request for such assistance shall be submitted by the enterprise concerned through the intermediary of its respective government. The High Authority shall have the right to refuse assistance to any enterprise which shall have failed to inform its government and the High Authority of the development of a situation which might lead it to cease or modify its activity.

6. The High Authority shall subject the granting of non-reimbursable assistance under the terms of paragraphs 4 and 5 above to the payment by the State concerned of a special contribution at least equal to the amount of such assistance, except where otherwise provided by a decision of the Council adopted by a two-thirds majority.

7. The methods of financing specified for the application of Article 56 apply to the present section.

8. Interested parties may benefit from the provisions of the present section during the two years following the expiration of the transition period upon decision of the High Authority taken with the concurrence of the Council.

CHAPTER II – Special provisions for coal

Section 24

It is recognized that precautionary mechanisms are necessary during the transition period to avoid sudden and harmful shifts in production. These precautionary mechanisms should take into account the situations existing at the time the common market is created.

Furthermore, if it should appear that harmful and abrupt price increases might occur in one or more regions, precautions should be taken to avoid such effects.

To cope with these problems during the transition period the High Authority shall where necessary authorize under its supervision:

(a) the application of the measures provided in Article 60, Section 2, subparagraph (b), as well as of zonal prices in cases not covered by the Chapter V of Title Three;

(b) the maintenance or establishment of national compensation funds or mechanisms, financed by a levy on the national production, without prejudice to the exceptional resources described below.

Section 25

The High Authority shall establish a perequation levy per ton of coal sold, which shall represent a uniform percentage of producers' receipts, on the coal production of those countries where average costs are less than the weighted average of the Community.

The ceiling on the perequation levy shall be 1.5 % of such receipts during the first year of operation of the single market, and shall be reduced each year by 20 % of the initial ceiling.

On the basis of such needs as it recognizes to exist under Sections 26 and 27 below and excluding the special charges which might arise from exports to third countries, the High Authority shall periodically fix the amount of the levy to be effectively imposed, and of the governmental subsidies to accompany it, in accordance with the following rules

(1) within the limit of the ceiling defined above, it shall calculate the amount of the levy to be imposed in such a way that governmental subsidies actually paid shall be at least equal to the amount of the levy;

(2) it shall fix the maximum authorized amount of the governmental subsidies, on the understanding that:

— the governments may grant subsidies up to this amount, but shall not be required to do so;

— the assistance received from abroad can in no case exceed the amount of the subsidy actually paid.

Additional charges resulting from exports to third countries shall not enter into the calculation of the necessary perequation payments or into the appreciation of the subsidies to accompany this levy.

Belgium Section 26

1. It is agreed that net Belgian coal production:

— shall not have to bear an annual reduction of more than 3 percent as compared with the preceding year, if the total production of the Community is the same as or greater than that during the preceding year; or

— shall not be less than Belgian production during the preceding year diminished by 3 percent, the figure thus obtained being further reduced by the coefficient of reduction applicable to the total production of the Community as compared with the preceding year (1).

The High Authority, responsible for the regular and stable supply of the Community, shall establish long-term forecasts of production and marketing and, after consulting the Consultative Committee and the Council, shall address to the Belgian Government recommendations setting forth the shifts in production it deems possible on the basis of such forecasts. This procedure shall continue as long as the Belgian market remains apart from the common market under the provisions of paragraph 3 below. With the agreement of the High Authority, the Belgian Government shall decide what steps are to be taken in order to bring about such production shifts within the limits specified above.

2. Perequation is designed, from the beginning of the transition period:

(a) to make it possible to lower the price of Belgian coal to all consumers of such coal in the common market to the vicinity of the forecast costs of production of such coal at the end of the transition period, with a view to bringing it as close as possible to the common market price. The price list established on this basis cannot be changed without the High Authority's approval.

(b) to insure that the Belgian steel industry shall not be prevented by the special system for Belgian coal from joining the common market for steel, and consequently to lower its prices to the level practised on this market.

The High Authority shall periodically fix the amount of the additional compensation for Belgian coal delivered to the Belgian steel industry which it deems necessary for the above purpose, taking into account all elements which affect the operations of this industry. In doing so, the High Authority shall ensure that such compensation does not have harmful effects on the steel industries of neighbouring countries. Furthermore, in view of the provisions of subparagraph (a) above, such compensation should in no case lead to a reduction in the price of the coke used by the Belgian steel industry below the delivered price which it could obtain if it were supplied with Ruhr coke.

(c) to grant an additional compensation for such exports of Belgian coal within the common market as the High Authority may determine to be necessary in view of the outlook for production and requirements in the Community as a whole; such compensation shall correspond to 80 percent of the difference, determined by the High Authority, between the delivered price (F.O.B. plus transport) of Belgian coal and the delivered price of coal from other countries of the Community.

3. Notwithstanding the provisions of Section 9 of the present Convention, the Belgian Government may maintain or establish, under the control of the High Authority, mechanisms making possible the separation of the Belgian market from the common market.

Imports of coal from third countries shall be subject to the approval of the High Authority.

This special system shall be terminated as described below.

4. The Belgian Government agrees to eliminate the mechanisms described in paragraph 3 above not later than the expiration of the transition period. After consulting the Consultative Committee and with the concurrence of the Council, the High Authority may grant the Belgian Government not more than two additional one-year periods of grace, if it finds that exceptional circumstances not now foreseeable render such a step necessary.

The integration of the Belgian, coal market into the common market thus provided shall take place following consultation between the Belgian Government and the High Authority, which shall jointly determine the means and procedures appropriate to achieve that end.

Notwithstanding the provisions of sub-paragraph (c) of Article 4, these procedures may entail for the Belgian Government the possibility of granting subsidies corresponding to the additional operating expenses resulting from the nature of its coal deposits, taking account of the charges which might result from obvious disequilibria which might increase such expenses. The procedures for granting such subsidies and their size shall be subject to approval by the High Authority, which shall ensure that the amount of the subsidies and the tonnage subsidized are reduced as rapidly as possible, taking account of the facilities for readaptation and of the extension of the common market to products other than coal and steel, and preventing the displacements of production which might occur from provoking fundamental disturbances in the Belgian economy.

Every two years the High Authority shall submit to the Council for approval proposals relating to the tonnage likely to require subsidies.

Italy

Section 27

1. The Sulcis mines shall be entitled to benefit from provisions of Section 25 above, in order that, pending completion of the investment operations now underway, these mines may be able to face competition within the common market. The High Authority shall periodically fix the amount of the necessary assistance; external aid shall not be granted for more than two years.

2. In view of the special position of the Italian coking plants, the High Authority is empowered to authorize the Italian Government, to the extent necessary, to maintain customs duties on coke coming from the other member States during the transition period defined in Section 1 of the present Convention; during the first year of this period, these duties may not exceed those resulting from Presidential Decree No. 442 of July 7, 1950. This ceiling shall be reduced by 10 % the second year, 25 % the third year, 45 % the fourth year, and 70 % the fifth year, and these customs duties shall be eliminated entirely by the end of the transition period.

France

Section 28

1. It is agreed that coal production in French mines:

— shall not have to bear an annual reduction of more than 1 million tons as compared with the preceding year, if the total production of the Community is the same as or greater than that during the preceding year; or

— shall not be less than production during the preceding year diminished by one million tons, the figure thus obtained being further reduced by the coefficient of reduction applicable to the total production of the Community as compared with the preceding year.

2. In order to assure that production shifts are maintained within the above limits, the procedures outlined in Section 24 may be reinforced by exceptional resources financed through a special levy imposed by the High Authority on the increase in net shipments from outside coal mines, based on French customs statistics, to the extent that such increase represents a shift in production.

For the establishment of this levy, there shall be taken into consideration the quantities representing net deliveries effected during each period in excess of those during 1950, to the extent that they are correlated with a decrease in the production of French mines as compared with 1950, the latter figure being reduced by the same coefficient of reduction as the total production of the Community. This special levy shall not exceed 10 % of the producers' receipts from the deliveries in question; in agreement with the High Authority, the proceeds shall be used for lowering in the appropriate zones the price of certain types of coal produced by French mines.

CHAPTER III – Special provisions for the steel industry

Section 29

1. It is recognized that special precautionary measures may be necessary for the steel industry during the transition period. The purpose of such measures shall be to prevent the production shifts which will result from the establishment of the common market from creating difficulties for enterprises which, after adaptation in accordance with Section 1 of the present Convention, would be in a position to meet competition, as well as from leading to the displacement of more workers than can benefit from the provisions of Section 23. To the extent that the High Authority deems that the provisions of the Treaty – in particular the provisions of Articles 57, 58 and 59 and Section 2 (b) of Article 60 – cannot be applied, it shall have the power to resort to the procedures defined below in the order of preference in which they are listed:

(a) after consulting the Consultative Committee and the Council, the High Authority may limit directly or indirectly the net increase in shipments from one region to another in the common market;

(b) after consulting the Consultative Committee and with the concurrence of the Council both as to the appropriateness of these measures and as to their nature, the High Authority may make use of the means of intervention specified in Article 61, paragraph (b), even in the absence of the finding required by the said article that a manifest crisis exists or is imminent;

(c) after consulting the Consultative Committee and with the concurrence of the Council, the High Authority may establish a system of production quotas, without, however, interfering with production earmarked for export;

(d) after consulting the Consultative Committee and with the concurrence of the Council, the High Authority may authorize a member State to apply the measures provided in Section 15, paragraph 6, under the terms of the paragraph in question.

2. For the application of the above provisions, the High Authority shall, during the preparatory period defined in Section 1 of the present Convention and in consultation with the producers' associations, the Consultative Committee and the Council, fix the technical criteria for the application of the above-mentioned precautionary measures.

3. If the adaptation or the necessary transformations of production conditions cannot be carried out during a part of the transition period due to shortages, to an insufficiency in the financial resources which the enterprises are able to derive from their operation or which can be placed at their disposal, or to exceptional circumstances unforeseeable at this time, the High Authority, after consultation with the Consultative Committee and with the concurrence of the Council, may extend the provisions of the present Section beyond the expiration of the transition period for an additional period not to exceed the time during which the situation referred to above has lasted, or two years, whichever is less.

Italy

Section 30

1. In view of the special position of the Italian steel industry, the High Authority is empowered to authorize the Italian Government, to the extent necessary, to maintain customs duties on steel products coming from other member States during the transition period defined in Section 1 of the present Convention. During the first year of the transition period, these duties may not exceed those resulting from the Annecy Convention of October 10, 1949. This ceiling shall be reduced by 10 % the second year, 25 % the third year, 45 % the fourth year, and 70 % the fifth year, and these customs duties shall be eliminated entirely by the end of the transition period.

2. The prices practised by enterprises for steel sales on the Italian market, calculated on the basis of the point chosen for the establishment of each enterprise's price scale, shall not be less than the price listed in this scale for comparable transactions, except where authorized by the High Authority in agreement with the Italian Government, without prejudice to the provisions of the last paragraph of Section 2 (b) of Article 60.

Luxembourg

Section 31

In applying the precautionary measures described in Section 29 of the present Chapter, the High Authority shall take account of the exceptional importance of the steel industry in the general economy of Luxembourg and the necessity of preventing serious disturbances in the special marketing conditions which result for the Luxembourg steel industry from the Belgian-Luxembourg Economic Union.

In the absence of any other measures, the High Authority may, if necessary, use the funds which are at its disposal by virtue of Article 49 of the present Treaty within the limit of the possible repercussions on the Luxembourg steel industry of the measures provided in Section 26 of the present Convention.

Done at Paris, the eighteen of April, one thousand nine hundred and fifty-one.

ADENAUER.

P. VAN ZEELAND.

J. MEURICE.

SCHUMAN.

SFORZA.

Jos. BECH.

STIKKER.

VAN DEN BRINK.

(1) EXAMPLE. – In 1952-total production of the Community, 250 million tons; total Belgian production 30 million tons. In 1953-total production of the Community, 225 million tons. The coefficient of reduction is thus 0.9. Belgian production in 1953 should not be less than $30 \times 0.97 \times 0.9 = 26.19$ million tons. 900,000 tons of this cut in production represents a permanent shift, and the balance, 2,910,000 tons, results from the economic situation.