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FOREIGN SERVICE DESPATCH

From: US REPRESENTATIVE, US MISSION TO ECSC, LUXEMBOURG

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ACTION
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F } REC-2 TRM/11-2 OLL
F } COM-12 TAK-2 IN-7 CIA-12

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Review of this document by CIA has determined that
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of CIA interest
Date: 11/10/80
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Subject: Meeting called by the High Authority of the CSC to discuss the establishment of buffer coal stocks

The High Authority has invited the CSC member Governments and coal producers of the Community to a meeting in the first part of October to discuss coal stockage problems. The objectives of the High Authority are to stabilize production and employment during periods of market recession by stimulation of coal stock accumulation during such periods. As pointed out in the letter of invitation to the meeting, the market dip in 1954 resulted in the loss of 3.5 million tons of coal production to the CSC economy and the loss of large amounts of wages to coal miners.

The following topics have been proposed for discussion with the coal producer groups at the meeting:

- 1) Procedures for establishing an inventory of existing stockage areas as well as requirements for additional areas which would be called into use to serve the needs of the Community during periods of low consumer demand.
- 2) Investment requirements for the expanded stockage areas.
- 3) Special bonuses for consumers who would conclude long term contracts.
- 4) The possibility of more flexible pricing policies to provide incentives for continued purchase during periods of low market demand.

With the governmental representatives present, the High Authority proposes to discuss governmental policies which would facilitate more satisfactory stockage practices and in particular:

- 1) The diminution or elimination of successive layers of indirect taxes tending to increase the costs of stockage.
- 2) To take account for taxation purposes of stockage costs including the lowering of the quality of the coal under prolonged periods of storage.

Comment

1. The present Suez crisis is unconnected with the original purposes of this meeting, but will undoubtedly be brought into the discussion as an additional argument for more adequate attention to the entire stockage problem.

JHWayne:raw

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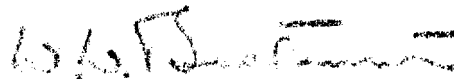
2. The High Authority has put a high priority on the consideration of this problem based on the belief as explained in the reference despatch that "in large part the coal problem is insoluble from the production side" but that a sensible buffer stock policy could greatly improve the supply demand balance. This evaluation of the relative importance of production and stockage problems, however, has been questioned in some circles, notably by French coal producer groups who feel that adequate incentives for expansion of coal production should now be receiving the attention devoted to coal stockage. L'Usine Nouvelle, a prominent French industry weekly, in its issue of September 20, 1956 sums up/attack on the coal policy of the High Authority with the following paragraph:

"In the immediate future, it is true that the High Authority believes it more necessary to consider the problem of stockage and its financing [than the problem of production expansion]. Never without doubt was it more wrong."


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