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THE ITALIAN IRON AND STEEL INDUSTRY
AND EUROPEAN INTEGRATION

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S u m m a r y

This paper tries to provide an introduction to the subject of the part played by Italy's steel industry in the process of European integration. It is divided into three parts. In the first one there will be a brief survey of the post-war standing of Italy's steelmaking up to the beginning of 1950. Particular attention will be given to the attempts at negotiating a Franco-Italian steel entente, whereas other points, related to the OEEC measures of liberalization and investment control, will be dealt with more briefly. In the second part attention will focus on reactions to the Schuman Plan in the months of May and June 1950, which appear to shed some light on the nature of national reconstruction and on attitudes towards international integration. Finally, in the last part, a brief overview of the outcome of the Schuman Plan negotiations will be given, in an attempt to reach a first overall assessment. **

- I -

Italy's unsuccessful attempt to rise to the status of a great power during the Thirties suffered from the severe handicap of a weak metallurgical industry. In 1938 figures of steel production were extremely low when compared to those of other European powers -- 2,32 million tons against 6,22 for France, 22,6 for Germany and 10,50 for Great Britain (1). This was true notwithstanding the fact that a considerable process of reorganization and investment was taking place, especially in the large sector of the steel industry that had passed under control of Iri-Finsider, a state holding company (2). During the war Italy relied on Germany for provisions of raw materials as well as for finished steel products: coal imports were about 800,000 tons a month, and those of steel amounted to about 900,000 tons a year over a period from 1940 to 1943 (3).

After defeat, occupation, political and economic difficulties in post-war reconstruction, Italy's future role was far from clear; in particular, doubts persisted as to what extent it would represent an important market for European steel production. The question seemed once again one of "to be or not to be". Lacking any significant supply of raw materials, was it really convenient to pursue the programme of the Thirties, aimed at achieving a fully independent, vertically integrated steel capacity? In the free-trade mood of the Reconstruction, unfavourable to any kind of state intervention in the economy, a large part of the economic, as well as of the

political, elite, comprising a part of the same steel industrialists, remained highly sceptical (4).

All the same, the Finsider Plan, also named after Sinigaglia, one of its creators and main supporters, and in many ways a resumption of the so-called "Autarchic Plan for Steel", already under implementation at the beginning of the war, received growing attention (5). The Plan allowed for a production of about 3 million tons of steel by 1952, a little below the level of what was thought to be the future internal demand; a rather modest objective, considering the low level of per-head consumption of the country (6). The Plan was very careful to strike a compromise between steel factories operating on scrap through electric furnaces, privately owned by industrialists in the north of Italy, and vertically integrated works, relying on iron ore and run by Finsider. The latter were to be three mass-production units located by the sea at Piombino, Bagnoli and Cornigliano. The financing of the new machinery was to come from ERP allocations. The dimensions and locations of the modernized plants were expected to lower production costs and make the steel industry for the first time competitive on the international scale. Thus, it was argued, Italy's industrial prospects would rest on a firmer basis and in particular the development of the engineering industry, responsible, among other things, for an important part of the country's exports, would be greatly encouraged.

The Plan, however, was subject to a number of conditions. Though approved by the government in 1948, it was never fully accepted by important

sectors of the private steelmaking, who were ready to engage in a struggle to maintain the highest proportion of the market. The contest focused, as was to be expected, on the distribution of American aid, and ECA authorities found themselves inundated with complaints about the exaggerated aims of Finsider and the danger of handing over to the State a large part of the heavy industry. A distinguished place among these accusers was held by the Falcks, owners of the most important private steel factory. Fiat, however, which was, among other things, the second national private steel producer, concluded an agreement with Finsider, committing itself to the purchase of a fixed proportion of the coils that were to be produced in Cornigliano, where a continuous strip mill was expected to begin functioning in 1953. The agreement with Fiat apparently was a decisive argument in winning American approval (7).

Given the weak international standing of Italian steelmaking as a whole, a certain measure of agreement was reached in supporting the 3 million ton objective. In OEEC, however, after a first recognition, gained in 1948, when the organization worked on the assumption of a growing demand, Italian investment programmes were met with growing reservations. In this respect, a comparison with investment rates in other countries shows the small weight that was carried by the Italian programmes in the context of the envisaged new European capacity. Investment figures in 1949 for Great Britain and France amounted to 72 and 66 million pounds sterling, whereas the total of investment in steel plants in Italy up to the end of 1950 was estimated around 28,5 million (8).

Another risk-factor for the implementation of the Sinigaglia Plan lay in productive realities, which in the industrial field claim a validity of their own, often overruling long-term programmes. In fact, the conditions of a sellers market, which continued well into 1948, did much to diminish the country's disadvantage, owing to high prices and the delay in pursuing modernization (9). By 1948 steel production was still below the prewar figure of 1938, and the situation did not change until 1950. Production figures for pig iron were much lower, reaching in 1949 less than half the 1938 level and showing the extent to which Italian steelmaking still relied on imports of semi-finished products as well as on scrap-processing. The ratio between pig iron and steel was by far the lowest among the countries of the future ECSC, being of 23% in 1950 against an average in the six countries of 84%. It was planned to raise it to around 50% and Finsider pledged to supply about three quarters of the pig iron (10).

A further question lay in the question of raw materials. The underlying assumption of the Sinigaglia Plan had been that scrap would no longer be available as in the pre-war years, when Italy had purchased great quantities (a yearly average of about 600,000 tons with peaks of 900,000) mainly from France and the US. The fact that all the main suppliers had now turned into buyers of scrap seemed to support this argument; on the other hand, it was argued, not without reason, by some of the private industrialists, and namely by Falck, that the market for scrap was bound to offer new opportunities because of the increase in production in the main European countries. This, however, seemed to justify Sinigaglia's objection that Italy, by relying

wholly on scrap, would place itself in a dependent position so far as quantities and prices were concerned (11).

The coking coal and the iron ore needed to supply the integrated works along the Tyrrhenian coast also had to be imported. A combination of quantity and quality was envisaged that would make this purchase convenient. In fact, counting on the high quality of North African ore, shipped at a distance of less than 1000 km., and on Ruhr coal, also shipped without transport interruption, the ratio of the blast furnaces was calculated as a particularly advantageous one, allowing a coke consumption of 850 kg. for one ton of pig iron against one of 1100 kg. for French blast furnaces and 1220 kg. for German ones, according to statistics of the Coal Subcommittee of CEEC for 1948 employed by Finsider. (Figures taken in 1950, though confirming the good performance of Italian production, were far less impressive.) (12) The question was, therefore, seen as one of being able to acquire the large quantities of raw materials needed.

The question of coal supplies was seen as part of the problem of gaining control of resources in the Ruhr. Sinigaglia, resuming ideas that had first been advanced in the interwar period, thought of the possibility of gaining a foothold there by offering Italian labour to man a number of coal mines. Contacts were made to that effect with British Occupation Authorities, as well as with American industrialists. The French were also repeatedly invited to favour an Italian participation: a question that, given their own preoccupations over future control of German resources, they

tended to disregard. In the same way as the Italian diplomacy failed to intervene on any matter concerning the future of Germany -- except by expressing in cautious terms its support for the country's reingratiation --, the industrialists seem not to have been taken very seriously in their request (13).

German coal, however, did become available, regaining the central position that had temporarily been occupied by American coal. Costs, though still high, tended to diminish, much to the relief of the Italians who were among Europe's most important coal buyers, with over 8 million tons a year from 1948 to 1950. Over that period imports from Germany passed from 18% to 42% of the total, while purchases from the US had fallen from over half to practically nothing in 1950. (They were to resume in the late fifties with the fall of freight costs.) From the German side exports to Italy were second in importance after those to France. Italian imports were only in a limited measure directed towards steelmaking; in 1949 a little over one million tons of coking-coal was exploited in the steelworks, the greater part of the coke being refined in Italy (14).

The crucial issue for the implementation of the Sinigaglia Plan thus promised to be that of iron ore supplies. The quantities required were considerable; subtracting a limited, though not wholly unimportant, national output, comprising especially a good supply of pyrites, the amount of foreign ore needed for the full realization of the programme was calculated by Finsider technicians as a little over two million tons. Given the fact

that the ore mines in question were primarily those in Algeria, it was clear from the beginning that a working entente with France was essential for Italy's modernization (15).

France was proposing to assume a prominent role in the international steel market. At the Paris CEEC Conference, in the summer of 1947, the Italian representative Campilli was confronted by Alphand, economic director of the Quai d'Orsay, and by the Minister for Industrial Production, Lacoste, with the given priority on the French part to stop the rebuilding of German heavy industry in alleged opposition to American views. Italy, according to Alphand, should support this effort by signing a bilateral agreement with France. A support that seemed to lose much of its relevance in the view of Lacoste, given his assumption that the greatest part of Europe's steelmaking should henceforward be located on French territory, whereas Italians and Germans should confine themselves to the development of transforming capacities, especially in the field of mechanical industry (16).

French views were specified in the course of negotiations for the Franco-Italian Customs Union, conducted between 1947 and 1949. These negotiations, forwarded by the two diplomacies, closely involved professional interests in many fields. The steel entente was seen by Rome, especially by the Ministry for Foreign Affairs, as one of the main pillars on which the "rapprochement" between the two countries should rest (17).

The discussions were not easy. The French centred their requests on obtaining a privileged position in exports of finished products to Italy, a demand accepted in principle by the Italian delegation, which was composed of representatives both of the private sector, Falck and Braghieri, and of Finsider, Vignuzzi. Opinions differed, however, on what should be the production figure over which this priority would become effective. The French placed it at 2,5 million tons; the Italians one million higher, at 3,5, a rather uncooperative attitude since official national estimates marked 3 million tons of production for 1952. The French went on to ask that Italian programmes should not contemplate steel plants of the kind already existing in France, with an obvious reference to the two wide strip mills implanted in Lorraine and Northern France. This was met with protestations on the Italian side (18).

After the signing of the Customs Union Treaty in March of 1949, a final round of negotiations in Paris at the end of May resulted in a five-year agreement, based on the exchange between supplies of French scrap and iron ore and agreed quantities of steel and pig iron imports by the Italians. Exports of finished products were to increase proportionally with the growth of Italian production -- from a minimum of 40,000 tons for a production of 2 million to 335,000 for one of 3,5 million. Iron ore contingents were to be progressively increased to reach one million tons in 1953, while for scrap there would be a fixed minimal supply by France to Italy, plus 50% of total French exports (19).

The terms of the agreement contained in themselves a contradiction, it being clear that the aim of Italian importers of the iron ore needed for the new large production of steel from pig iron, was that of being able to satisfy internal demand and eventually exclude foreign competition. Nevertheless, the acceptance of the linkage proposals (exports related to production levels) was clearly a recognition of French leadership on the Italian part.

Not very different had been the situation after World War One, when the French had proposed to limit Italian pig iron output and to confine the country's steelmaking mainly to the processing of acquired semi-finished products. In 1923, at the time of the French occupation of the Ruhr, proposals for Italian participation in the exploitation of German mine pits had first been set forth. During 1925, conversations between steel industrialists on French provisions of scrap to Italian furnaces had resulted in an agreement that had made these provisions dependent on quotas of French exports, an accord that the Italian delegation led by Falck had found reasonable, though Mussolini, then Prime Minister, had prevented its enforcement, considering it a form of economic blackmail (20).

The period of post-World War Two Reconstruction and the launching of Marshall Aid witnessed the same French attempt to withhold control of German resources and secure for itself Germany's previous share in foreign markets. In the settlement of the entente with Italy a measure of ambiguity seemed to have been present: the industrialists had committed themselves only to that

part of the agreement on exports of steel and pig iron that they were able directly to fulfil. The Government, for its part, taking account of the opposition raised in France by the Customs Union Treaty, which failed even to be presented for a parliamentary vote, was in no hurry to carry out its own part of the obligation, related to supplies from the state-owned mines of Algeria, especially since it considered them as one of its most important negotiating assets (the most important buyer of the ore was then Great Britain, with quantities superior to two million tons per year) (21).

The ratification of the whole agreement was thus postponed to a better time. This was a disappointment for the Italian industrialists and even more for the Italian diplomats, striving at an overall alliance with France, as a first step in the direction of European integration. For another agency, the Ministry for Foreign Trade, the delay came as an encouragement in pursuing a commercial policy that tended to completely disregard the terms of the steel entente, to the disadvantage of its future prospects. Starting in the second part of 1949, a number of commercial treaties were signed allowing for large steel and pig iron import quotas in exchange for agricultural products that Italy was trying to place on foreign markets, in more or less overt competition with the French. Pig iron contingents, for example, were brought to a total of 160,000 tons that, once coupled with the 50% priority engagement taken with France, would have provided a quantity much superior to the country's needs (22).

As a whole, comprising only the countries of the future ECSC, Italy figures in 1949 as the second largest importer after Holland, covering 26,9% of the imports. Total imports of steel and pig iron amounted to 553,000 tons, of which 340,000 of steel products, with Belux (Belgium and Luxembourg) as first supplier, followed by the United States and France, the latter with only 30,000 tons. On the whole, these figures were not very impressive, considering that, among the major exporting countries, Belux sold in 1949 over 3,7 million tons of steel and France about 2,3 million. In the field of raw materials, Italian iron ore imports were still very low, about 110,000 tons in 1949, almost wholly from Algeria; and rising very little in 1950, well below the first contingents agreed upon in the entente with France (23).

In the last part of 1949 there was a first setback in the upward trend of the steel market's expansion, leading to a fall in prices and strong competition on foreign markets. In Europe this coincided with a sharp growth in West Germany's steel output, if not yet in its exports, an event that was bound to preoccupy the French increasingly. In fact, the realities of steel production levels seemed to mark the failure of the French design to curb Germany's future economic and political role. In 1949 German output equalled that of France (although remaining inferior to that of France and Sarre put together), and was expected rapidly to overcome the limit of 11 million tons set by the Allied occupation powers and maintained, after much debate, through 1949 (24).

In this context some kind of framework for the reorganization of European steel production appeared to be necessary. Talks between steel industrialists of the most important countries were resumed, aimed at establishing cartel agreements such as those that had governed production and exports in the Twenties and Thirties. Growing cooperation between governments and the drive towards integration favoured schemes, however, that, though allowing for a measure of agreement between professional interests, left the governments with a leading role in stabilizing production and coordinating levels of investment and consumption. Plans to this effect had been presented at various European conferences, and seemed to be met with sympathy by at least a part of the steel industries (25).

Prospects of future overproduction were reinforced by the Rollman report, issued at the end of 1949, that called for a reduction of future projected capacities; an event that was leading the OEEC Steel Committee, in charge of examining investment programmes, to a more restrictive attitude, in particular towards those countries like Italy, Holland and Germany that had been the last to proceed to their modernization (26).

From the Italian point of view, the two main issues were levels of investment and liberalization. The weakness of the Italian steel industry in meeting the latter was hardly questionable, coupling the high costs of raw materials, due essentially to double pricing, with high internal costs of production. In fact, the only favourable element for Italy seemed to be the

comparative cheapness of labour, a fact amply balanced by a very low productivity and by high fiscal charges (27).

At the tariff conference of Annecy, as a result of which Italy joined the Gatt settlement, the steel industrialists had asked the Government to support very high protective tariffs, amounting to about 35% on the principal steel products. The Government, owing to the insistence from other categories interested in lowering tariffs, and in the face of strong international pressures, had settled for much less. In particular, during the Conference, there had been requests on the part of Belgium that Italian and French tariffs be aligned in consideration of the steel understanding between the two countries. Moreover, the connection offered by the Italian delegation between advancing modernization and progressive tariff cuts was not one of great international appeal. In the end, the tariffs agreed upon at Annecy, due to become effective in Italy in July 1950, allowed for a consistent protection of 10 to 23%, and comparatively were very high for pig iron and semi-finished products, in both cases being double those of the French, which were already considered as high (28).

Liberalization of exchanges, brought about mostly as a result of US pressure for further economic integration, appeared to Italian steel industrialists as another menace, in both the Finebel version, proposed at the beginning of autumn 1949, and in the more ample one by OEEC, which was finally enforced one month later. But, since Italy did not maintain its 50% liberalization commitment, only reaching the figure of 11% of finished

products by March 1950, the steel industry was able to contribute to the process merely by drawing a list of a few insignificant items (29).

The second portion of investment programmes, comprising plans of Finsider, of Falck and of other small private firms, had passed scrutiny at the end of 1949 not without a number of objections and attempts to delay the decision. A particularly uncooperative attitude seems to have been held on that occasion by the French, who had moved in late 1949 in full support of a restriction of investment, a position related to their preoccupation with German expansion (30). This preoccupation was also casting its shadow on the new round of negotiations for the conclusion of the steel entente with Italy that took place between January and March 1950, once more coinciding with a renewed interest in the Customs Union. The French Government had openly questioned the terms of the previous agreement, lamenting the scarcity of Italian purchases of French goods and at the same time cutting the quantities of iron ore that it was willing to supply by 60%. The objective of this policy was quite clear and was reinforced by the openly expressed suspicion that Italy was planning to connect its steelmaking once again with the German one; a suspicion that the Italian diplomats did not go all the way to dispel, though apparently contacts between Italian and German industrialists had not moved beyond a formal stage (31).

On the national stage, seemingly more contingent problems were putting at stake both the existing degree of internal consensus and the implementation of the Sinigaglia Plan. The Italian market, contrary to a general

slackening of demand, was calling for a growing quantity of imports in the first months of 1950, especially in regard to semi-finished products. Starting in December 1949 imports reached an average of 70,000 tons a month against a previous figure of around 20,000. Cost disparities between internal and external producers had in fact become much higher since, in the last months of 1949, prices for exports had been drastically reduced, reaching the same level as home prices in the main European countries. Although comparative estimates in this field appear difficult, the difference for the most important steel products, such as joints, sheets and bars, seems to have been always around 30%, often more (32).

Attitudes towards this invasion of the internal market differed considerably; requests for a state centralized contingent of reasonable proportion were advanced by Assider, the steel producer's association; but the Economic Ministries, with the support of consumer industrial sectors, were opposed to this solution. Furthermore, some private steel firms appeared to be taking advantage of the high imports of semi-finished products in order to establish firm control of the home market (33). At the same time discussion over the allocation of Counterpart Funds to the state sector was reaching a climax, provoking a harsh parliamentary debate (34). Problems of protection and modernization were reaching a critical stage, together with the definition of the international standing of the country's steelmaking.

- II -

With the Schuman Plan European steel problems were officially consigned to a major international negotiation at the diplomatic level. As a consequence, links between industrial and foreign policies became more evident.

The announcement of the Plan came as a surprise to the Italians. An entente between France and Germany was not, however, something new, and it awakened in the Italian mind a mixed sentiment of fear and eagerness to exploit any possible resulting opportunity.

Ambassador Quaroni, briefed by Schuman in Paris a few hours before the official declaration, wasted no time in pointing out the traditional Italian dislike for a cartel between the two most powerful steel industries on the continent (35). He was probably referring in the first place to the events of 1926, when Italy had found herself excluded from the newly created European Steel Cartel. This time, on the contrary, Italy was being asked to join as an essential member of the Western European system. The event seemed to imply considerable risks for the country's steelmaking. In Quaroni's opinion, as well as in that of most diplomats and governmental officials, the steel industry was an international liability, subject to much criticism on the grounds of its high production costs. Nevertheless, it had to be defended for reasons of national independence as well as prestige.

Under these circumstances, the most obvious solution seemed to demand a political commitment from the French in behalf of the country's steelmaking, to be used in the course of the impending conference. This was the line chosen by Sforza and apparently accepted by Schuman (36). Some officials, including Quaroni and Santoro of the Ministry of Industry, who was in charge of the Schuman Plan, were willing to carry this line quite a long way, and, though soon abandoned, proposals were voiced to the effect that any restriction on Italian production quotas should automatically lead to similar cuts of French ones. Thus, it was argued, both steel industries would be in a better position to meet German demands.

Further explanations were given in the course of the weeks following the announcement. The chief spokesman of the Plan, Monnet, stressed the fact that the future European pool was not intended to be a cartel agreement under governmental supervision. The core of the new organization was to be a High Authority, entrusted with the task of creating a common market open to all producers regardless of their nationality. This was seen by many, including the group of Italian officials in charge of OEEC negotiations in Paris, as wanting to be a "dirigiste" approach to the establishment of free-market conditions. Doubts, however, did persist as to the nature of the measures first to be taken by the new Authority, and as to how they would be implemented (37).

Monnet's approach to the problem of the Italian steel industry seemed a new one. In his view, guarantees conferred at the political level did not

retain great value. At the same time, he claimed to be opposed to all attempts at boycotting the development of mass steel production. The only real test was to be an economic one: were the Italians going to be able to attain competitive costs once raw materials from the other countries of the Community had been placed at their disposal without any further price discrimination? (38)

Confronted with this challenge, Italian diplomacy, though remaining doubtful, came to the conclusion that Schuman's assurances may not have sufficed and that a positive adaptation to the new integrationist scheme was required. In the view of many, including Quaroni and Sforza, who remained sceptical about the fate of national steelmaking, this would still have entailed the possibility of securing from the future common market adequate supplies of semi-finished products for the engineering industry. A middle course was finally steered by preparing to enter negotiations for the creation of a free market, and, at the same time, trying to obtain from the French the highest number of advantages, acting on the close relationship between the two Governments. Not surprisingly the conclusion of the Franco-Italian steel entente, for which a new round of talks was forthcoming, ranked very high among these expectations (39).

Reactions to the Schuman Plan among the industrialists seem to have been characterized by a common ill feeling, with some differences between the private and public sectors.

For a group of managers of Finsider, including Sinigaglia, the French proposal was a good opportunity to press for long term advantages. These were to comprise, in the first place, free access to raw materials -- scrap, iron ore and coking coal -- in order to end double pricing. It was then thought possible to ask for the acquisition or, alternatively, a 30-year exploitation of a group of coal mines in the Ruhr, to be manned by Italian labour; and the same request was made for a number of iron ore mines in Northern Africa. Though never becoming official, these demands were to gain for a short time some attention in political circles; in fact, they did nothing but take up, in somewhat perfunctory tones, points that had already been raised by Italian negotiators. Undoubtedly they were reminiscent of ideas nurtured during the last years of the Fascist regime and the first part of the war, when many in the industrial world had been ready to envisage Italy as a major producer and exporter in the Mediterranean and South European areas (40). In the wake of the Schuman Plan, whose real scope and intentions were far from clear, the moment seemed propitious to present Italy as the demanding partner of the French in reorganizing distribution of raw materials and steel capacities in Western Europe.

Falck's position was somewhat different. In his view, clearly expressed in a letter to Quaroni, the European pool should have included Italy mainly as an importing country. Two points were stressed: the possibility of purchasing "large quantities" of semi-finished products from France and Germany, and access to adequate supplies of scrap (41).

A common concern was that for protection. Finsider insisted in the centralization of all foreign purchases by means of a state contingent, thereby, among other things, providing for a more effective trading policy, which seemed necessary to permit any kind of international understanding, as the experience with the French was showing. Finsider's proposal was criticized by the Minister of Industry, Togni, on the grounds, once more, that it would have raised internal costs and damaged those sectors of the engineering industry that relied on foreign imports. State contingents, reminiscent once again of the Thirties, were not popular in the liberal mood of post-war Italian Reconstruction, even if recommended in order to reach a competitive production standard (42).

To the spokesman of the Falcks, Frumento, protection by tariffs seemed a better reponse. Italy should have sought more favourable conditions of admission to the pool by raising tariffs by as much as 40%, as England had done before joining the European Steel Cartel in 1935 (43). Though seemingly better received, a similar proposal also stood little chance of being accepted, when Italian tariffs were already being criticized on the international level. Free-trade opinion prevailed again in the parliamentary discussion of the new general tariff, which, in fact, for products of steel, resulted in a diminution of the levels fixed at the Annecy Conference (44).

Meetings between industrialists and officials from various Ministries were held in Rome at the end of May. The Ministry for Foreign Affairs relied on the Ministry of Industry to cover the economic issues of the Schuman

Plan. In its turn, the Ministry of Industry had taken good care to keep in close touch with most of the professional interests in the field. Officials of the Ministry for Foreign Trade also participated in the discussions, but their role seems to have been a minor one, except for the fact that they were criticized by all parties and blamed for the erratic commercial policy of the country and for exceeding the quantities of imports; a blame they would have liked to share with some of the importers (45).

A common feeling of distrust and uneasiness seems to have dominated these discussions. However disguised, the Schuman Plan was considered a reincarnation of the old cartel; surely it was meant, once again, to strangle Italian steelmaking.

Taccone, representative for Fiat, was joined by many in considering as likely an "attack" on the new strip mill of Cornigliano, in repetition of the one that had been so successfully carried out by the Germans during their occupation, when they had taken good care to carry home all the new machinery from the plant already under construction. Cornigliano was going to be one of the six wide strip mills of American fabrication to operate in Western Europe; Germany had not been allowed to install one. In the Italian opinion, the Schuman Plan, by removing discriminations against Germany, was going to produce a situation in which Italy's gains would be questioned (46).

A degree of consensus was reached on two points: an attempt to negotiate with the French, and the defence of production and investment levels already accorded by OEEC. The first was going to prove a difficult venture, for the French steel industrialists showed, once more, little sympathy for Italian views. To start with, they had taken no part in the Schuman Plan; on the contrary they had assumed a rather hostile attitude towards it, suspicious of the power that was being conferred to a body of technocrats. This did not, however, imply that they were unprepared to seize any new opportunity that the situation might offer. An edition of "Usine Nouvelle" at the end of May openly expressed the hope that the Italians, by joining the pool, would drop their long term development programme and went on to suggest that negotiations between the two countries should, in the meantime, be suspended (47). At the beginning of June, in Paris, the French delegation, backed by the Government (though the role played by different agencies is not completely clear), presented an official request that France should enjoy a fixed percentage of all Italian steel imports; this went beyond all the previous claims. Italian demands in the field of raw materials, though not totally rejected, were dismissed as unrealistic (48).

Confronted with these proposals, short of an ultimatum, the Ministry for Foreign Affairs took a very defensive attitude, as it had always done, and was prepared to leave the door open for further discussion. The delegation of industrialists, on the contrary, took a negative stand (49). It is true that, in this regard, a difference persisted between Finsider representatives, who considered an agreement worthwhile only if high quantities

of French mineral were secured over a prolonged period, and small and medium industrialists in the North, led once more by Falck, who were more willing to accept a working agreement based on French supremacy (in the same way as, for example, Quaroni). It is also very likely that the French tried to exploit this difference, apparently without much success, although evidence of this is scarce. What can be said is that a common interest was certainly shared by some Italian private interests, French industrialists and governmental officials of whatever agency in stopping the implementation of the Sinigaglia Plan. At the end of May 1950 two more facts confirmed this: spokesmen of Italian private interests asked to interrupt the parliamentary discussion on the allocation of Counterpart Funds to Finsider that was about to reach a final vote; in the same days Monnet hinted to German officials that Italy might abandon its long term development programme as a consequence of joining the Schuman Plan. A degree of apprehension seems to have been justified on the Italian side (50).

- III -

Reactions to the Schuman Plan had shown from the beginning a difference between the economic and the diplomatic outlook. The industrialists, or at least a significant part of them, were confident in their ability to reduce costs and raise production levels. They were, however, intent on finding the means to overcome a difficult period of internal re-equipment and international reorganization. Their international standing was low and they could not rely on a strong diplomacy to support their interests. For the diplomats the starting point was one of weakness. Italy looked at the Schuman Plan as one more important opportunity to regain full international recognition. Economic considerations, no matter how important, would have had to come later (51).

This sense of weakness, short of frustration, led to a repeated search for guarantees and spelling out of conditions. Togni named four: an equal footing for Italy, free access to raw materials and the end of double pricing, maintenance of programmes already submitted to OEEC, and the assurance of reliable internal and external markets. These points gave voice to the main concerns expressed by the industrialists, especially the first which provided a clear sign of the country's position of inferiority, while the last hinted at special safeguards to be ensured (52). On the diplomatic front, great care was taken to win American support; Americans were also

asked to exercise pressure on the French, a demand renewed in the course of the Paris Conference (53).

Developments were to prove less devastating than expected for Italian interests. In the first place, the newly projected organization had a distinct feature of supranationality that could be turned into an advantage for its weaker members. Italian diplomatic realized this quite soon and, as in previous international conferences, came out in favour of a "European" approach, intended to present their particular claims in a better light.

Monnet had been under pressure from the Americans, who were firmly opposed to any scheme resembling a restrictionist industrial entente; secret arrangements such as the attempted Franco-Italian one were definitely out of date, though it is significant that they were still being discussed (54). For the Italians, after their unhappy experience with the Rollman report, still more important was the fact that the Plan did not envisage a restriction of the market, and was seen, on the contrary, as encouraging expansion; this was in accordance with the new upward trend of world production and consumption as a consequence of the Korean War, which was provoking a rise in prices and checking the tendency towards increased exportation (55). In the long term, moreover, Monnet's plan of placing all producers on the same level inside the Europe of the Six was not incompatible with the objectives behind Italy's steel reorganization.

The other line of defence, that is to say the "special relationship" with France, proved to be of equal value. If the Schuman Plan actually set aside all previous Franco-Italian bilateral agreements, it increased, on the other hand, France's necessity to count on Italy as an effective second partner in its embrace with Germany, and thus greatly enhanced the country's political leverage.

In the course of negotiations the attention of the Italian industrialists was directed mainly to the questions of iron ore, prices, the transitional period, and provisions for scrap. Each of these issues proved to be extremely delicate. The solutions ultimately reached were bound to be greeted critically in many countries; Italy was no exception. Without attempting to give an account of the workings of the Conference, it is interesting to look briefly at the way these points were dealt with.

Iron ore was probably the most controversial issue, especially after France had decided that her North African territories were not going to be included in the pool. The Italian delegation reacted strongly, to the point of nearly leaving the Conference. A solution was finally found at the top political level, at the Conference of Santa Margherita in February 1951, when France yielded to Italian requests and granted a supply of iron ore for the next five years that, though still judged insufficient by Sinigaglia, could on the whole be considered satisfactory. In the following years Italian iron ore purchases were to rise impressively, though very soon, in

the mid-Fifties, sources other than those in French North Africa would become available (56).

On the problem of prices, Italy was confronted with Franco-German proposals that allowed the exporting countries to undersell finished products, thus cancelling the advantage of equal prices for raw materials, calculated on the basis of the drawing point. A compromise was reached in the final part of the conference that, though not extinguishing it, reduced that advantage and went a long way towards eliminating unfair pricing. Moreover, price dispositions would apply to Italy only after the country had fully entered the free common market (57).

Italy was, in fact, allowed a transitional period of five years, during which protection of its steel production with decreasing tariffs would be continued. The initial tariff was to be that of Annecy, higher, as we have seen, than the one enforced in July 1950. Although they preferred to complain about a better treatment for the Belgian coal mines, these were all concessions to the steel industrialists (58).

Finally, a free market for scrap was created, albeit incompletely, as it excluded supplies from within the industry. Behind the lines it was understood that the High Authority would intervene and provide for the supply of the neediest countries. Italy was by far the biggest importer in the Community, buying 1 million tons already in 1952 and rapidly increasing

quantities thereafter. To Italy's advantage various compensation schemes were devised to support dearer purchases of scrap on outside markets (59).

In the end, the fears first expressed by Italian steel industrialists did not materialize. Development plans were not put in question; on the contrary, they received a protective safeguard, more important than OEEC legitimation. The liberalization favoured Italy's purchases of raw materials, and the supply of coal from the Ruhr was made convenient; at the same time, protective measures were enacted in favour of the Italian cokeries, which had been the most severe opponents of the Plan (60). Special provisions for iron ore and scrap were obtained that met the demands both of Finsider and of the private firms in the North.

All these factors contributed to the extraordinary growth of the Italian production, proportionally by far the largest among the countries of the Community. The implementation of the Sinigaglia Plan, in particular with the works of Cornigliano, played a significant part in this process; steel produced in electric furnaces, however, maintained its preminence, and the ratio between pig iron and steel remained very low, rising only to a little above 30% at the end of the Fifties. On the whole, the fact that steel was consigned to European policy seems to have enhanced Italy's industrial prospects.

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Note on Sources

I have relied on the following archival sources (abbreviations are given in brackets):

- Archivio storico del Ministero degli Affari Esteri, Roma (MdaE);
- Archivio Taviani, Civitas, Roma (TAVIANI);
- Archivio Luigi Einaudi, Fondazione Einaudi, Torino (EINAUDI);
- Archivio Centrale dello Stato, Roma (ACS).

I have also consulted the documents of Assider, the national steel industrialists association; in particular:

- Relazione sull'attività dall'Assider (ASSIDER-Relazione) anni 1948, 1949, 1950, 1951;
- Atti ufficiali dell'Associazione (ASSIDER-Atti), anni 1948, 1949, 1950, 1951.

I have drawn valuable statistical information from Carlo Citterio, Profilo statistico delle siderurgie comprese nel Piano Schuman, vol. 1, seconda edizione interamente rifatta e aggiornata, Ufficio Studi delle Acciaierie e Ferriere Lombarde Falck, Sezione Ricerche Economiche e Statistiche, Milano, A.F.L., Falck, 1952 (referred to as CITTERIO).

I have drawn more statistical information from two publications by Assider:

- L'industria siderurgica italiana nel 1949 - Risultati ottenuti e considerazioni, Milano, luglio 1950, (ASSIDER 1949);
- L'industria siderurgica italiana nel 1950 - Risultati ottenuti e considerazioni, Milano, maggio 1951, (ASSIDER 1950).

For the many points I have omitted, I refer to my thesis in progress entitled "Italy and the Schuman Plan" (EUI, Florence).

NOTES

- (1) - Figures in Ingvar Svennilson, Growth and Stagnation in the European Economy, Geneva, United Nations Economic Commission for Europe, 1954, pp. 262-63.
- (2) - A good account of the Italian steel industry in the Thirties is provided by Franco Bonelli, Antonia Carparelli, Martino Pozzobon, "La riforma siderurgica Iri fra autarchia e mercato (1935-42)" in Franco Bonelli (a cura di), Acciaio per l'industrializzazione, Einaudi, Torino, 1982, pp. 217-333.
- (3) - See Bruno Alessandrini, "Gli scambi commerciali dell'Italia", EINAUDI, 1.2.Sforza. The author of the note was responsible for Confindustria (the industrialists' national association) for foreign trade and industrial foreign relations during the last years of the Fascist regime.
- (4) - See Margherita Pelaja, "Ricostruzione e politica siderurgica", Italia Contemporanea, 148, settembre 1982, pp. 5-25.
- (5) - An official account of the Sinigaglia Plan is given by: Finsider, Sistemazione della siderurgia italiana, Roma, 1948. A good survey is in Rosario Romeo, Breve storia della grande industria in Italia, 1861-1961, Cappelli, Bologna, 1980 (first pub. 1961).
- (6) - Steel consumption per head in 1948 amounted in Italy to 52 kg., compared with 182 for France, 270 for Great Britain, 500 for US. Figures are given in Silvio Leonardi, "Necessità di un'industria siderurgica in Italia" Critica Economica, 1950, n°2, pp. 48-61.
- (7) - See Gianni La Bella, L'Iri nel dopoguerra, Studium, Roma, 1984. Fiat was committed to buy from 38% to 50% of Cornigliano's production of coils. The agreement was concluded in 1948, but became official only in 1952.
- (8) - Figures in Duncan Burn, The Steel Industry 1939-1959 - A Study in Competition and Planning, Cambridge U.P. 1961; and in ASSIDER-1950, p. 55.
- (9) - See Oscar Sinigaglia, "Promemoria sulla siderurgia italiana" ACS, Presidenza del Consiglio, Gabinetto, Segreteria Particolare del Presidente del Consiglio, 1948-1950, (hence Gabinetto) b. XVI/f. 126.

- (10) - Production figures in ASSIDER-1949, pp.9-10, and in ASSIDER-1950, p.69
- (11) - See the exchange between Sinigaglia and Falck in Il Mondo, anno I, n°14, 21-5-1949, and n°15, 28-5-1949.
- (12) - Figures used by Finsider are given in the semi-official Attilio Jacoboni, L'industria meccanica in Italia, a cura del Centro di Studi e Piani Tecnico-Economici istituito dal CNR e dall'Iri, Istituto Poligrafico dello Stato, Roma, 1949. Figures taken in 1950 are given in ASSIDER-1950, p.49; they indicate a consumption of 915 kg. of coke for one ton of pig iron, as compared to 984 in Germany and 1021 in France.
- (13) - Letter of Sinigaglia to Tarchiani, 14 of August 1947, with minutes of the meetings between Sinigaglia, Aron and Bureau of the 6 of August, ACS, Gabinetto, b.II/f.18. For contacts with the British Authorities see the minutes of a meeting of CIR (Comitato Interministeriale per la Ricostruzione) of 10-1-1948 in EINAUDI, 1.2. Sinigaglia. Sinigaglia hoped to get from 5 to 6 million tons of coal per year (Italian imports were about 8,5 million). For the diplomatic side see Mario Toscano, "Appunti sui negoziati per la partecipazione dell'Italia al Patto Atlantico" in Pagine di storia diplomatica contemporanea, Giuffrè, Milano, 1963, vol.2 pp.445-519.
- (14) - Figures in CITTERIO, pp. 108-109 and in ASSIDER-1950, p.39.
- (15) - The fact was recognized by Sinigaglia's Alcune note sulla siderurgia italiana, Tipografia del Senato, Roma, 1946. According to Scortecci of Ilva, the Italian industry had originally hoped to gain possession of North African ore through war operations; quotes in Margherita Pelaja, (note n°4), p.7. Iron ore production amounted to about half a million tons a year over the period 1946-1950; production of pyrites in the same period was about 800.000. These were used after elimination of the sulphur to form an ore of good quality (58% content of iron). Part of the production was exported.
- (16) - Campilli to Sforza, Paris 16 of July 1947, telex.n°ce/30, EINAUDI, 1.2. Ferrari Aggradi.
- (17) - An account of the Franco-Italian Customs Union is given in William Diebold, Trade and Payments in Western Europe - A Study in Economic Cooperation, Harper and Brothers, New York, 1952, pp.354-376.

- (18) - A record of these negotiations is in ASSIDER-Relazione 1948, pp.4-8
- (19) - The terms of the agreement are given in ASSIDER-Atti 1949, pp. 42-46. Steel production figures for Italy were as following: in 1948, 2.125.147 tons; in 1949, 2.055.499; in 1950, 2.362.430; see Istituto Centrale di Statistica, Sommario di statistiche storiche italiane, 1861-1955, Roma, 1955, pp.128-129.
- (20) - Information on the steel negotiations in the Twenties is provided by: Antonia Carparelli, "I perchè di una 'mezza siderurgia'. La società Ilva, l'industria della ghisa e il ciclo integrale negli anni Venti" in Acciaio per l'industrializzazione (note n°2), pp.58-59; Pierre Guillen, "L'echec des tentatives d'entente économique avec l'Italie (1922-1929)" Relations Internationales, 1978, n°13, pp.64-65; and Maria Angelini, "La politica estera italiana e il patto renano del 1925" Annali della Facoltà di Scienze Politiche di Perugia, n°10 (1968-1970), pp.203-253.
- (21) - ASSIDER-Atti 1949, p.98; on French exports from Algeria see Carl Horst Hahn, Der Schuman Plan - Eine Untersuchung im besonderen Hinblick auf die deutsch-französische Stahlindustrie, Richard Pflaum Verlag, München, 1953, pp.40-41 (containing a number of malicious comments).
- (22) - Observations on Italian commercial policy are contained in a memorandum sent by Sinigaglia to De Gasperi on March 31 of 1950, ACS, Gabinetto, b.XVII/f.126.
- (23) - Figures in CITTERIO, passim; and in ASSIDER-1949, p.92.
- (24) - See Duncan Burn, (note n°8), pp.138-149, 398-403.
- (25) - On projected cartel agreements and governmental schemes see: Maurice Fontaine, L'industrie sidérurgique dans le monde et son évolution économique depuis la seconde guerre mondiale, P.U.F, Paris, 1950, pp.350-354; and Paul Reuter, La Communauté Européenne du Charbon et de l'Acier, Pichou et Durand Auzias, Paris, 1953, pp.12-22.
- (26) - See Nations Unies, Department des Affaires Economiques, Evolution et perspectives de la sidérurgie européenne dans le cadre du marché mondial de l'acier, Préparé par la Division de l'Acier, Commission Économique pour l'Europe, Geneve, 1949.

- (27) - According to calculations of the Ministry of Industry in 1949, double prices and fiscal charges (but the impact of the latter was much smaller) accounted for 14,5% of the final price of a ton of steel; see ASSIDER-1949,p.90. Comparative figures for wages exist only for the years after 1952, given by the High Authority; table reported in Burns,(note n°8), p.431. Italy offered the lowest wages among the Six, throughout the Fifties. In the first years after the war the gap with the other countries was probably higher; according to Leonardi, (note n°6),p.60, the salary of an Italian steel worker amounted in 1948 to 1/6 of an American one and 1/3 of an English one. Figures for productivity (ibid. p.55) gave, in 1948, 26 yearly tons a worker in Italy, against 56 in France, 87 in Great Britain, 167 in the US. Italian social charges according to Sinigaglia, (note n°22) amounted to 67% of retributions, against 40% for France and 13% for US.
- (28) - On Italy at the Annecy Conference see Diebold (note n° 17),p.221; a record in ASSIDER-Atti 1949,pp.75-77. A comparative estimate of Annecy tariffs for Italy, France and Belgium is given by Assider, Misura dei dazi doganali di importazione dei principali prodotti siderurgici in alcuni paesi dopo gli accordi di Ginevra e di Annecy, relazione n°2, Milano 26/11/49. In the period up to July 1950 protection was secured not very effectively by import licenses.
- (29) - Reactions of industrialists to liberalization of exchanges in ASSIDER-Atti 1949, pp.104-108.
- (30) - See the Report by Frumento on the works of the OEEC Steel Committee, 5 and 6 October of 1949, MdAE, Ambasciata di Parigi, 447/I.
- (31) - Quaroni to Sforza, 13 of January 1950, MdAE, Direzione Generale Affari Politici (hence AP), Francia 30; also ASSIDER-Atti 1950, verbali riunione Cons. dir. del 25/3.
- (32) - Figures in ASSIDER-1950,pp.66,96,102-106.
- (33) - Record of discussion in ASSIDER-Relazione 1950, pp.50-54; Confederazione Generale dell'Industria Italiana, Annuario 1950, Roma, luglio 1950,p.44, speaks of the importations of steel and attributes them mostly to national steel producers, exploiting low prices of semi-finished products.

- (34) - The Government had devolved practically the whole 14 billion Lira allocation to Finsider, provoking loud protests from private interests. Records of the debate in ATTI PARLAMENTARI, Senato della Repubblica, Resoconti e discussioni, 1948-50, v.XIII, Roma, 1950.
- (35) - Quaroni to Sforza, 9 of May 1950, MdAE, Ambasciata di Parigi, 478/I, t.(elegramma) n°164-165. On the Italian attitude toward the steel cartel see Giovanni Falck, "Il cartello del ferro", La Metallurgia italiana, XVII, dicembre 1926, n° 12, pp.512-516; and Ervin Hexner, The International Steel Cartel, Chapel Hill, North Carolina U.P., 1943. Officially the Italians refused to join fearing that the fixation of production quotas would hamper the prospects of the country's growing steel capacity. It appears, though, that the exclusion came to the industrialists and to the Government as a severe blow, coming after the failure of an entente with France in the early Twenties (see note n° 20).
- (36) - Sforza to Quaroni, 10 of May 1950, MdAE, Amb. di Parigi, 478/I.
- (37) - See the Report by Frumento "Recenti indicazioni sul Piano Schuman e sulla intesa italo-francese", containing a summary of discussions among Italian officials in Paris, Parigi, 30/5/1950 e 2/6/50, MdAE, Direzione Generale Affari Economici (AE), I/1
- (38) - Quaroni to Sforza, 26 and 27 of May 1950, MdAE, Amb. di Parigi, 478/I, t. n° 213 and 217.
- (39) - Memorandum on Italy and the Schuman Plan, 2 of June 1950, MdAE, AE, Piano Schuman, I/1.
- (40) - See note without date, but around the first half of 1950, "Condizioni per la nostra accettazione", by Sinigaglia, Manuelli, Vignuzzi, MdAE, AE, Piano Schuman, I/1. On discussions during the war, useful information in the article by Bonelli and others (note n°2). The figure of 10 million tons of yearly steel production was one of the war-time fantasies. (It was, however, reached in the early Sixties).
- (41) - Letter by Giovanni Falck to Quaroni, 23 of May, Rome, MdAE, Amb. di Parigi, 478/I. Giovanni Falck was the son of Giovanni Enrico Falck, the founder of the firm and its president until 1945. Together with Giovanni, owners of the firm were the two brothers Enrico and Bruno.

- (42) - Note by Sinigaglia and others (note n°40); and minutes of meetings held at the Ministry of Industry on the 27 of May 1950, MdAE, Amb. di Parigi, 478/I.
- (43) - See Report by Frumento on the preparatory talks of the Committee for Schuman Plan negotiations, 22 of May 1950, MdAE, Amb di Parigi, 478/I.
- (44) - The internal discussion on the new tariff in ATTI PARLAMENTARI, Camera dei Deputati, Atti, Discussioni 1950, Seduta CDXV, Roma 1950. The new steel tariff, enforced on a temporary basis, offered a protection of nearly 8% less than the Annecy one for semi-finished products (15% against 23%), see ASSIDER-Relazione 1950, pp. 17-25.
- (45) - See minutes (note n°42).
- (46) - See minutes (note n°42).
- (47) - Letter of Repetti (Assider) to Notarangeli (Ministero Esteri), 30 of May 1950, with the text of an article appeared in "Usine Nouvelle", of the 25 of May, MdAE, AE, Piano Schuman, IV/1. On the attitude of the French steel industrialists: Report by Frumento (note n° 37); Maurice Fontaine (note n°25); and H.W. Ehrmann, "The French Trade Association and the Ratification of the Schuman Plan", World Politics, 6, IV, 1954.
- (48) - See Report by Frumento (note n°37).
- (49) - For the view taken in Rome on the talks see Note of Grazzi to Sforza, 28 of May 1950, MdAE, AE, Piano Schuman, IV/1.
- (50) - See Babuscio Rizzo to Sforza, 26 of May 1950, MdAE, AE, Piano Schuman, IV/1, t.n°69-70. For discussion in Parliament see ATTI PARLAMENTARI, (note n°34) CDXXIV Seduta.
- (51) - The Italian foreign policy line had been effectively summarized by Sforza in a press conference of the 4 of April 1950, MdAE, AP, Italia, 233. Interesting observations in Ennio Di Nolfo, "Das Problem der europäischen Einigung als ein Aspekt der italienischen Aussenpolitik, 1945-1954", Vierteljahrshefte für Zeitgeschichte, 1980, 2, pp. 145-167.
- (52) - Togni's conditions in ASSIDER-Relazione 1950, pp.33-34.

- (53) - Tarchiani to Sforza, 9 of June 1950, MdAE, AE, Piano Schuman, IV/1, n°6059/3534.
- (54) - It is clear from the reports on discussions in Paris (note n°37) that French and German industrialists were keen to resume old cartel agreements, and highly suspicious of the Schuman Plan. This was just what officials of ECA were afraid of; see on this last point Diebold (note n°17) pp.280-292. For this reason attitude of the US on Franco-Italian Customs Union has become luke-warm in 1949-50; interesting observations in Alan S. Milward, "L'integrazione dell'Europa occidentale negli anni dell'ERP: l'esperienza del Gruppo di Studio Europeo per l'Unione Doganale" in Il Piano Marshall e l'Europa, a cura di Elena Aga Rossi, Istituto dell'Enciclopedia Italiana, Roma, 1983, pp.109-118.
- (55) - On expansionist policies and tendencies on the international steel market observations in the classic William Diebold, The Schuman Plan - A Study in Economic Cooperation, 1950-1959, Published for the Council on Foreign Relations, by Frederick A. Praeger, New York 1959. The Italians, encouraged by the same Monnet, insisted, for obvious reasons, on the necessity to allow continued expansion; see documents quoted in notes n°38 and 39.
- (56) - The Accord contemplated the following supplies of iron ore to Italy: for the first year, 480.000 tons; for the second, 575.000; for the third, 650.000; for the fourth, 800.000; and for the fifth and last 830.000. See ASSIDER-Relazione 1951 pp.36-55.
- (57) - Treaty Establishing the European Coal and Steel Community, articles 60 and 61; see Sinigaglia to Togni, 8 of August 1950, TAVIANI, Piano Schuman, 1950-52.
- (58) - Treaty Establishing... Convention on the Transitional Provisions, art. 30.
- (59) - Treaty Establishing...Annex II; see Burn (note n°8), p.422.
- (60) - On the reactions of the cokeries to the Schuman Plan see the comments by Taviani, head of the Italian delegation to the Paris Conference; Paolo Emilio Taviani, Solidarietà atlantica e Comunità Europea, Le Monnier, Firenze, 1967, (prima ed. 1954), pp. 166-169. A certain degree of protection for Italian coke was allowed by Treaty Establishing...Convention on the Transitional Provisions, art. 27.

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