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## Emile Mayrisch and the International Steel Pact of the 1920s

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“Mediator between the French and German steel industries” ; “Founder of Europe before Jean Monnet” ; “European visionary” ... !<sup>1</sup> There is no shortage of glorious titles for one of the few Luxembourgers who has a truly international reputation. However, these accolades are largely inspired by research carried out by the “Franco-German Information and Documentation Committee”, also known as the “Mayrisch Committee”, in honour of its Maecenas, the director general of the *Aciéries Réunies de Burbach-Eich-Dudelange* (Arbed), Emile Mayrisch. Others, like illustrious guests of Colpach castle, for instance Marie Delcourt, Annette Kolb, André Gide, Walther Rathenau, Ernst Robert Curtius, etc. have confirmed this image of the pacifist, internationalist industrialist who in fact was not, neither through his career nor his previous activities, predestined to have a major diplomatic role to play.<sup>2</sup> The image of the “Grand Chef” – as Aline Mayrisch liked to refer to her husband – seems, at least for some people, also to have become synonymous with the reconciliation efforts between France and Germany after World War I. So this subjective interpretation of his life has made of the mill-master – and, together with him, of its country – an emblematic intermediary between the old enemies on either side of the Rhine.

Viewed through Arbed’s archives,<sup>3</sup> Mayrisch’s “obscure yet efficient activity”,<sup>4</sup> in his functions as both company director and first president of the International Steel Cartel (ISC), needs revising today. There are, of course, grey areas, but the new evidence is telling enough to paint a rather different portrait of the Grand Duchy’s *patron des patrons* than that which commonly circulates. His indelicate manoeuvring that disturbs the order established at Versailles, and enables him in the mid-1920s to switch from

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<sup>1</sup> J. BARIÉTY, *Le rôle d’Emile Mayrisch entre les sidérurgies allemande et française après la première guerre mondiale*, in : *Relations internationales*, 1(1974), p.124 ; C. PAILLAT, *Dossiers secrets de la France contemporaine*, t.2, *La victoire perdue. 1920-1929*, Ed. Laffont, Paris, 1980, p.184 ; G. MÜLLER, *Pierre Viénot : Schöpfer des Deutsch-Französischen Studienkomitees (1926-1938) und Europäer der ersten Nachkriegszeit*, in : *Journal of European Integration History*, 4(1998), p.5.

<sup>2</sup> For a complete bibliography on the Comité Mayrisch, see G. SONNABEND, *Pierre Viénot (1897-1944). Ein Intellektueller in der Politik*, Oldenbourg, München, 2005, pp.450 f. and G. GOETZINGER, G. MANNES, F. WILHELM (eds.), *Hôtes de Colpach. Colpacher Gäste*, Centre national de littérature, Mersch, 1997.

<sup>3</sup> Arcelor since February 2002.

<sup>4</sup> J. BARIÉTY, *Le sidérurgiste luxembourgeois Emile Mayrisch, promoteur de l’Entente Internationale de l’Acier après la Première Guerre mondiale*, in : R. POIDEVIN, G. TRAUSSCH (eds.), *Les relations franco-luxembourgeoises de Louis XIV à Robert Schuman*, Centre de recherches relations internationales, Metz, 1978, p.257.

his position of an economic and political outsider to that of a leader, has been treated elsewhere.<sup>5</sup> The present article will not cover this again. Rather, it focuses on three major questions. What are the heartfelt convictions of the director general of one of the most powerful continental metallurgical corporations on the question of trusts ? Why does he support the famous steel pact born from the “Thyssen project” ?<sup>6</sup> How does he then react to the failure of an organisation of which he is deemed to be a pillar ?

### Mayrisch, enemy of cartels

There is no need to reiterate that the public discourse of decision-makers – be they politicians or businessmen – is often enough at odds with their actions or their real thoughts. Mayrisch is no exception in this respect.

This is the case for example when, in the summer of 1919, he is quick to greet the creation of a Franco-Belgo-Luxembourgish syndicate for “A” products (rails, beams and semi-finished products).<sup>7</sup> In reality however, the management of the Aciéries Réunies isn’t enchanted at all by the formula advocated by Louis Loucheur, the French minister for Industrial reconstruction and Etienne Clémentel, the minister for Commerce. Since the end of the war, certain conventions have forced Arbed to sell its production at cut-rate prices in France, often below production costs, although the company could easily have sold its entire output at a handsome profit on the free markets.<sup>8</sup> Furthermore, the cartel concocted by the authorities in Paris excludes “B” products (sheets, plates, merchant bars, etc.). This ruling out is due to a total disagreement among the Belgian re-rollers. Their pooling is hard to establish and, although it might be possible one day, joining the steel producers seems unlikely to happen in a foreseeable future. In any case Mayrisch and his consorts are not duped : “the Belgians import mostly B products into France and they will continue to do so”.<sup>9</sup> The factories of the Hainaut and Liège basins thus would have a substantial competitive advantage, without having to compensate the Grand Duchy in any other way. Worse, by tolerating the fact that vast quantities of high added-value rolled steels would continue to be conveyed into France, the lack of raw materials required by the processing industries on the

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<sup>5</sup> C. BARTHEL, *Emile Mayrisch et les dirigeants de l’Arbed entre la Belgique, la France et l’Allemagne. Rivalités et complexités (1918-1925)*, in : M. DUMOULIN (ed.), *Réseaux économiques et construction européenne*, Peter Lang, Bruxelles-Berlin-New York, 2004, pp.125-143.

<sup>6</sup> U. NOCKEN, *International Cartels and Foreign Policy : the Formation of the International Steel Cartel, 1924-1926*, in : C. WURM (Hrsg.), *Internationale Kartelle und Außenpolitik*, Franz Steiner Verlag, Stuttgart, 1989, pp.71 f.

<sup>7</sup> ARBED, P.160.D, Clauses essentielles d’une convention entre les usines françaises et les usines belges et luxembourgeoises, 10.07.1919.

<sup>8</sup> ARBED, AC.«Vicaire», Vicaire to Mayrisch, 24.02.1920.

<sup>9</sup> ARBED, P.160.D, Pinot to Loucheur, 09.07.1919.

other side of the Ardennes appears to get worse. This could lead to a major disadvantage in view of the future *Union Economique Belgo-Luxembourgeoise* (UEBL) : wouldn't the metallurgists of Wallonia be tempted to entrust their colleagues in the Grand Duchy with the unattractive chore of providing the kingdom's toolmakers and mechanical factories with low added value crude iron while the latter would continue to monopolise profitable export orders ?

Nonetheless Arbed does not dare to take an open stance against Loucheur and Clémentel's plans. The reason is easy to understand. The firm needs the two ministers' support if it doesn't want the supply of German reparation coal being stopped. This is a simple question of life and death, as the coal is indispensable for the continuing operation of the blast furnaces. The exuberant courtesy Arbed's staff displays in its relations with the French Third Republic also enables it to play on the discord surrounding the Franco-Belgian military convention and commerce treaty to keep at bay those numerous Belgians who, like president Gustave Trassenster of the Ougrée-Marihaye steelworks, are dreaming of an "economic conquest of the Grand Duchy".<sup>10</sup> Imitating the duplicitous game formerly played in Paris by those who used Luxembourg as a bait to get Brussels to sign the two contracts referred to above, the Luxembourgers now behave in an ostentatiously Francophile manner – but with the primary goal of foiling Belgium's annexation plans. How could Arbed, under these circumstances, risk alienating its best ally for the sake of an entente among mills that anyway is doomed to almost certain failure because of the increasing opposition from the French steel barons ?

The ephemeral project of breathing new life into the *Comptoir des fontes de Longwy*,<sup>11</sup> the repeated but hollow offers to the Walloon heavy industry to form a trust between the producers of the two UEBL countries,<sup>12</sup> the participation of the *Groupement des Industries Sidérurgiques Luxembourgeoises* (GISL) in the various attempts to revive the International Rail Makers Association (IRMA),<sup>13</sup> etc., also bear witness to the fact that Mayrisch – *through purely political or tactical considerations* – repeatedly manages to give the impression of being open to, or even in favour of, transnational agreements in the steel sector. From Mayrisch's contemporaries to today's historians, many have thus

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<sup>10</sup> Said by Jean Jadot, governor of the *Société Générale de Belgique*. Quoted by R. BRION and J.-L. MOREAU, *La Société Générale de Belgique. 1822-1997*, Fonds Mercator, Anvers, 1998, p.261. On the question of Luxembourg as raised by WWI, see G. TRAUSCH, *Du Zollverein à l'Union Economique Belgo-Luxembourgeoise (1914-1922)*, in : *Hémecht*, 3(1984), pp.343-390.

<sup>11</sup> ARBED, Bulletin quotidien de la Columéta, N°19, 24.01.1921.

<sup>12</sup> See MAEB [Ministère des Affaires étrangères de Belgique], B.21, Note [de Barnich] sur la situation créée à l'industrie sidérurgique par l'accord économique belgo-luxembourgeois, [1921].

<sup>13</sup> See HADIR [Hauts-Fourneaux et Aciéries de Differdange-St.Ingbert-Rumelange], 21.d.0 and 21.d.1, 1921 and subsequent years.

mistaken his real intentions. An in-depth analysis of the cartels' operation mode in conjunction with a correct assessment of Arbed's situation after the armistice of Re-thondes should however have aroused the suspicions of the director general's devotees.

The period from 1918 to 1921/22 marks a crucial turning point in the history of the Aciéries Réunies. Following a concerted action with the Schneider family of Le Creusot and other French forge-masters, among them the De Wendels of Hayange, the Luxembourg firm acquires the former industrial complex of the German *Gelsenkirchener Bergwerks- und Hütten AG* situated on the Rhine's left bank. The property transfer leads to the creation of two new companies, the *SA Minière*- and the *SA Métallurgique des Terres Rouges*. Both form from the very beginning a close community of interests with Arbed. Equipped with some forty blast furnaces in the Grand-Duchy, at Audun-le-Tiche in Lorraine, at Burbach in the Saarland and in the region of Aachen (*EBV-Hüttenabteilung/Arbed* and *Rothe Erde/Terres Rouges*), along with vast iron ore mines and its own coal pits and coke batteries, this multinational group's annual output is in excess of one million tons of steel. It thus becomes – until the emergence of the German *Vereinigte Stahlwerke* (1926) – the number one producer on the continent. At the same time, with *SA Columéta* the consortium inaugurates its own sales company which quickly creates a dense network of agencies in the main economic or political centres of Europe, Latin America, South Africa, the Middle East and South-East Asia. Its offices do not only have exclusive sales rights on steel and rolled materials from the conglomerate's different factories, but they also collect important intelligence on daily developments in the different markets.

This brings us to the heart of a first observation which explains why Emile Mayrisch and Gaston Barbanson, the president of Arbed's board of directors, "have always been enemies of [production] syndicates".<sup>14</sup> According to both heads,

"trade makes no serious effort to stay abreast of the prodigious industrial growth. Rather than being an indicator of production, preparing its channels and outlets, it has never got out of the old rut, but remains stuck in its role as a mere intermediary agent between production and consumption. Occasionally it will, in time of crisis, appeal to a factitious solidarity in order to group disparate interests in syndicates. But this never yields satisfactory results and always had sinister consequences that nullify any modest and momentary advantages".<sup>15</sup>

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<sup>14</sup> ARBED, P.XXXVI, Réunion du Conseil d'administration, 12.03.1926.

<sup>15</sup> Ibid., Note sur une proposition d'augmentation du capital, 03.09.1921.

The main goal of cartels is to fight against depression by putting “the production of steel in relation to world consumption”.<sup>16</sup> But, *de facto*, only mills of modest size profit from them. Through sales organisations modelled on the German pre-war *Verbände*, or the *Comptoir Sidérurgique de France* which was dissolved in 1922, they are able to reach markets that would remain closed to them without a common centralising structure. By the means of fabrication quotas, they ensure a minimum of orders, without which they would be out of business. While large companies have sufficient revenues to endure cyclical recessions by waiting for an “adaptation of production to actual needs through the disappearance of ill-adapted small factories”, trusts hinder a natural thinning out of excess capacities.<sup>17</sup>

Criticism of Arbed’s ruling elite also concerns general economic and financial aspects of the cartels whose capability to harmonise offer and demand is seriously doubted. The question is whether the theoretically regulating action of agreements, through a stabilisation or an artificial inflation of sales prices – supposed to guarantee a minimum income to all syndicated mills – does not in effect slow down the return to a normal collect of orders, be it because customers do not have the means to pay excessively high bills, or be it because they speculate on an eventual price drop.<sup>18</sup> What is true for price-fixing agreements is, *a fortiori*, true for arrangements such as Fritz Thyssen’s project to impose a cap on casting crude iron in order to improve sales :

“The constitution of an international steel syndicate such as proposed by Mr Thyssen [will have] as an immediate result a decrease in production [which will reveal] the great discordance between those corporations possessing their own stock of raw materials and being equipped with limited manufacturing means on the one hand, and on the other hand those which do have their own raw materials and a very vast manufacturing programme. For the former a decrease in production of 10-20% does not have any consequences that cannot be compensated by a price increase of 1-2 sh[illings] ; for the latter there will be no compensation even in raising the price by one pound [sterling]”.

In other words, submission to the rules of a cartel will impose far greater sacrifices on large integrated plants than on “competitors that have less foresight or are less enterprising”.<sup>19</sup> While a company with two or three outdated furnaces and rudimentary

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<sup>16</sup> ARBED, AC.01760, 1<sup>ère</sup> conférence du Comité de Direction Arbed-Terres Rouges, 20.02.1926.

<sup>17</sup> ARBED, AC.01721, Barbanson to Bemelmans, 07.04.1922.

<sup>18</sup> Cf. Barbanson’s criticism concerning the policy of the German *Verbände* at the beginning of the 20<sup>th</sup> century. AFB [Académie François Bourdon], SS 0110-02, Note “sur le Rapport présenté par la Commission de Direction du Comité des Forges à la Commission dite du “Traité de Paix””, 17.09.1916.

<sup>19</sup> HADIR, 1. Accords, Mémoire de Mayrisch relatif au “projet Thyssen”, 03.03.1926.

finishing tools can manage to balance its necessary liabilities with a slight supplementary income, big combines suffer from the fixed expenditure straightjacket. Because of the diversity of installations and their extreme technological sophistication, these high expenditures are, for the most part, invariable and incompressible, regardless of whether business is sustained or slumping. Their impact on manufacturing costs therefore complies with one of the common rules of the steel sector : the more available capacities are used, the higher the financial yield per ton becomes, while in the opposite case a diminished activity weighs heavily “because of a [relative] increase in manufacturing costs”.<sup>20</sup>

The described evidence logically leads the Arbed-Terres Rouges group to have a reticent if not hostile attitude towards cartels. The corporation has invested more than 50 million gold francs into the modernisation of its sites between 1919 and 1925 and attempts to rise the amount within the next three to four years by means of a 20 million dollar bond debt.<sup>21</sup> This credit, granted by the *Guaranty Trust* of New York is, among other things, supposed to cover an ambitious production diversification programme. The company, in full flight, cannot, under these circumstances, tolerate that a trust, through a containment of permissible tonnage, menaces its investment plan by erasing *ipso facto* its best bet for increased competitiveness.

Last but not least, Mayrisch can not and will not “lock [him]self up [...] in syndicate formulas”<sup>22</sup> failing a somewhat stable interior market. This rather special situation is a result of World War I. The fighting barely over, the winning powers insisted that the independent Grand-Duchy renounces its membership in the German *Zollverein* from January 1<sup>st</sup>, 1919. This means that Arbed practically from one day to another is cut off from its best customers and forced, more than in the past, to depend on either peripheral European markets or to turn to “grand exportation” overseas, where competition is harsh and prices particularly unstable. On the one hand it is true that the radical re-orientation of merchandise traffic is somewhat attenuated by the transitory dispositions of the Versailles settlement. Article 268 of the peace treaty gives Luxembourg, as it does for Alsace-Lorraine, the right to convey a certain quantum of goods into Germany without having to pay duties for five years.<sup>23</sup> But this clause is unfortunately of little help in the immediate. The low demand on the other side of the Rhine and the depreciation of the Reich mark prevent the national industry from profiting fully from this favour.

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<sup>20</sup> 1<sup>ère</sup> conférence du Comité de Direction, op.cit.

<sup>21</sup> More than 100 million francs. See ARBED, P.RVII-1, Evolution du capital et de l'immobilisé, 1963.

<sup>22</sup> Réunion du Conseil d'administration, 12.03.1926, op.cit.

<sup>23</sup> ARBED, AC.01720, Article 268.c of the Versailles treaty. The admissible quantity is fixed in function of pre-war imports.

On the other hand it is also true that in the spring of 1922 Luxembourg enters a customs union with Belgium. Unluckily the Kingdom cannot be compared with the German Empire and the rather more attractive capacities of absorption of its market, especially in the long term after having recovered from the consequences of the war. There is also a notable difference between the generous text of the UEBL convention and its real daily application. The discriminatory tariffs imposed on the Luxembourgish heavy industry by the Belgian state railway or its systematic exclusion from public calls for tender in the kingdom speak for themselves.<sup>24</sup> The same goes for the intransigence with which Trasenster, on behalf of the *Groupement des Hauts-Fourneaux et Aciéries Belges* (GHFAB), defends his point of view during discussions between European rail manufacturers. At the first international meeting in London shortly before Christmas 1921, the president of Ougrée signals to the GISL emissaries

“that the two associations have every interest to present themselves to their foreign colleagues as two distinct groups which will give them a stronger presence in the repartition organism and maybe higher quotas”.<sup>25</sup>

From this, producers of Hainaut and Liège deduce an axiom with far-reaching consequences : regardless of the UEBL, “the separation” between the markets on either side of the common economic border “must be complete” ! They thus neatly mark the difference between the private nature of the rail manufacturers’ syndicate’s agreement on one hand and the customs treaty “which is an arrangement made between governments independently of the iron master’s will”. Both contracts not being “linked”, “the primary principle of the respect of the interior market which is the basis of IRMA must be strictly enforced”.<sup>26</sup> This norm, turns into a *conditio sine qua non* for the adhesion of Walloon steel mills to the rail cartel naturally includes the Congo. The colony has to be “completely [read : exclusively] reserved to the Belgian steel industry”.<sup>27</sup>

The GHFAB’s demands confirms by the way an unwritten law of which the management of the Aciéries Réunies is only too conscious. All cartel models of the past – even syndicates in principle limited to exports – always rely, implicitly or explicitly, on the protection of national markets. The great powers are quite pleased with this. France’s plants for instance distribute more than half of their output on the domestic market where, covered by a comfortable tariff protection, they dictate sales prices that their

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<sup>24</sup> HADIR, 1.q.0, see, among others, Servais to Reuter, 25.05.1923.

<sup>25</sup> ARBED, AC.7501, Compte rendu résumé de la réunion des métallurgistes anglais, français, belges et luxembourgeois tenue à Paris, 20.01.1922.

<sup>26</sup> HADIR, 21.d.1, Compte rendu d'une réunion tenue au CFF entre MM. Trasenster, Tonneau, van Hoegaerden, Mugas et Dieudonné, 22.02.1924.

<sup>27</sup> HADIR, 21.d.1, Procès-verbal [summarised edition] de la réunion au CFF en vue d'une entente pour la vente mondiale de rails, 23.02.1924.

foreign competitors can only dream of. The magnates of the Ruhr are in an even better position. In normal times nine tenths of their products find a customer in Germany, with very respectable profit. In the Grand-Duchy, on the other hand, the small size of the territory and a mere 250,000 consumers by default prevent the steel dynasties from taking advantage of the main benefit that cartel adepts normally expect to get from any such arrangement. The 15 to 20% of cast iron, crude steel and laminates sold in Belgium do not change this situation by much. They do not carry much weight, given how much the improvement of business conditions following the implementation of some collective discipline “could be very important on the internal markets” while being “less noticeable on the world market”.<sup>28</sup> From this a double inequality can be deduced. Firstly : the Luxembourgish works have no protected grounds which, in case of crisis in exportation, could be a last refuge to make at least some good deals compensating the losses. Secondly : in case of an international agreement its destiny would depend more – possibly disastrously so – on that of the trust. We will return to this point. In the meantime, one can wonder if Mayrisch would really have had the audacity to get involved in such a dangerous adventure for the love of harmony between the people of Europe ? “Men who lead companies”, confides his brother-in-law Robert Brasseur,

“cannot be sentimental, but their duty is to calculate, pencil in hand, the most productive path for the corporation and lead the firms they are managing into the direction [...] that circumstances impose”.<sup>29</sup>

### **The ISC, a stopgap**

At the end of December 1925, well before the Comité des Forges de France (CFF) and the GHFAB, Arbed knows about the secret agreement project drafted by Fritz Thyssen and Carl Gerwin.<sup>30</sup> Mayrisch carefully weighs the pros and cons of the German proposals. In reality, however, the outcome is a foregone conclusion even in this preliminary phase. Given the context of the period, the Aciéries Réunies could not do otherwise than join the international negotiations strived for.

There is evidently a dose of fatalism in the decisive considerations that ultimately lead to the Luxembourgish director general’s decision. A first series of thoughts touch upon the state interventionism omnipresent in most continental countries :

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<sup>28</sup> HADIR, 1. Accords, Objections contre projet Th[yssen] – Principes. [Aide mémoire de Mayrisch], [Late January/early of February 1926].

<sup>29</sup> CHAMBRE DES DÉPUTÉS [Luxembourgish Parliament], *Compte rendu de la séance du vendredi 11 avril 1919*, p.2685.

<sup>30</sup> ARBED, AC.7501, Projet Thyssen (Thyssen to Gerwin), 29.12.1925.

“Very recent examples have shown that open competition cannot take place, neither on an international nor on a national level. The interference of public powers will always support [...] the fledgling producers ; this is an economic heresy, but it is the case ; it must be taken into account and the hope of reducing overproduction by the suppression of weak producers must be renounced [...]. This truth imposes itself at this point with such force that even those who consider an orientation towards syndicates as harmful to a healthy industrial evolution must accept a transitory [ ! ] cleansing period by the means of international syndication treaties”.<sup>31</sup>

The officials’ penchant for minding others’ business also takes on an annoying dimension on the level of the private diplomacy between entrepreneurs on either side of the Rhine. Mayrisch has an extremely bad recollection of this. He remembers, not without bitterness, the disappointments suffered after the first European steel summit at the Arbed headquarters on June 16, 1925, where he managed to make his European colleagues accept a compromise on the reduction of the Lorraine-Luxembourgish steel contingent exported to Germany.<sup>32</sup> The agreement also contained a satisfactory settlement for the mills in the Saarbrücken area, which had been fully integrated to French customs territory six months ago. The bulk of the adopted provisions is alas nullified a short time thereafter by the machinations of Daniel Serruys. Driven by a sentiment of national grandeur, this high-ranking civil servant in the ministry of Commerce in Paris goes out of his way to undermine the iron master’s consensus by making the Berlin delegation at the Franco-German commerce negotiations sign new statutes for the Saar region (July 11).<sup>33</sup> The only result of Serruys’ high-handed acting is that the Ruhr magnates become infuriated to such a degree that talks with the CFF are interrupted for almost half a year. The Arbed-Terres Rouges consortium foots the bill because the urgent issues that agitate the company’s staff imperatively demand a transnational solution. However, under the actual circumstances one thing is perfectly clear : by leaving the initiative to the ministries, the Grand Duchy loses its influence in the proceedings. Its absence in Locarno in October 1925 amply demonstrates this. On the other hand, Mayrisch finds himself in a position of power among his peers by removing pending deals from government influence. We can therefore not be surprised by the fact that he, by far, prefers an agreement between professionals of heavy industry. After all, Thyssen’s formula has a good chance of being “probably the only one

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<sup>31</sup> Mémoire de Mayrisch relatif au «projet Thyssen», op.cit.

<sup>32</sup> HADIR, 1.m.1, Réunion entre les délégués des industries métallurgiques françaises, sarroises, luxembourgeoises et allemandes en vue de se mettre d'accord sur les exportations en Allemagne, 16.06.1925.

<sup>33</sup> ARBED, AC.7501, Arrangement franco-allemand au sujet des échanges commerciaux du bassin de la Sarre avec l'Allemagne, 11.07.1925.

applicable”<sup>34</sup> in a Europe in which economic policies pursued by the Western governments shape up as being a continuation of war by other means !

The seizing-up of the Franco-German dialogue certainly occupies a place of choice in this context. It has in the meantime set into motion an evolution of which one can already claim that it has a profound impact on the thought processes that eventually incites Mayrisch to revise his convictions on the subject of trusts. The more the CFF becomes mired in its excessive distrust of the leaders of the Stahlhof in Düsseldorf, the more the Arbed top manager feels emboldened to jettison his residual loyalty towards the winners of the Great War by seeking direct contact with the Germans.

It is worth insisting on the point that the origin of Arbed’s slow change of strategy is first and foremost a purely technological question. Its focus lies on the Thomas steel works of the Rothe Erde plant. Taken over by the Métallurgique des Terres Rouges in 1919/20 it is, beyond doubt, the weak link of the plants controlled by the Luxembourgish multinational in the Aachen area. In the consortium’s directing board the debate alternates between the abandonment and the demolition of the complex. Either option has its share of drawbacks. Given the off-centre geographic location of the mill it would be difficult to find a buyer for an object whose sole advantage is to give its new owner “a larger quota” in the gradually re-emerging German Verbände. A destruction of the equipment and its sale as scrap would on the other hand, with a little luck, raise an amount roughly equivalent to the plant’s initial purchase value in 1919/20. This “brutal solution” would “certainly have been convenient for our German competitors” but it would have the harmful side-effect of amplifying “the isolation of the customers of Terres Rouge or the entire Aachen group : Eschweiler Terres Rouges, Eschweiler EBV-Arbed and even Felten & Guillaume”, a cable plant near Cologne in which Mayrisch and Barbanson had, at the beginning of the 1920s, taken an important stake.<sup>35</sup> Having reached a deadlocked, the only practicable option seems to consist in “rebuilding” the branch on a healthy foundation. From this evolves the idea to demolish the old furnaces and replace the basic converters with an open hearth steel work fed with ingots cast in the Grand-Duchy.<sup>36</sup>

The project is unexpectedly jeopardized while being studied. In the flurry of activity following Germany’s recovery of its customs sovereignty (January 10, 1925), Berlin establishes a provisional import duty. This measure threatens to diminish the capital returns from Rothe Erde and to disrupt the flow of intermediary products to the Aachen

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<sup>34</sup> HADIR, 1. Procès-verbaux, Accord international sur les aciers. Séance du 10 mars 1926 [matin].

<sup>35</sup> ANL, [Archives Nationales, Luxembourg], ARBED, Pr.21/1, Projet de rapport au Conseil d’Administration du 19 décembre, 10.12.1924.

<sup>36</sup> ANL, ARBED, Pr.21/1, Note sur la fusion Arbed-Terres Rouges, [1924].

rolling mills and the wire drawing plant in Cologne. How should Arbed react? Karl Heimann-Kreuser, the director of the Columéta branch responsible for the German market finds an appropriate response. He develops a concept that Mayrisch immediately adopts as his own, and which consists in negotiating the so-called *Privatabkommen* ["private agreement"] with Fritz Thyssen and Ernst Poensgen.

"According to this proposal, we [Arbed-Terres Rouges] will be authorised to deliver to said plants [...] up to 200000 tons of semi-finished products. On this tonnage, they [the German Verbände] will reimburse us 50% of the import duties. [...] Through this concession we will renounce building a new mill in the Rhineland or reactivating our Thomas plant in Aachen".<sup>37</sup>

The contract, perfected during the summer of 1925, is priceless. It enables Arbed to make the most of its intention to close Rothe Erde and at the same time eliminate the bottleneck that affects the flow of supplies to its finishing centres in the Rhineland. In exchange, Mayrisch promises that the latter will join the various product syndicates that the Germans are setting up with the intention of improving their main regulatory organism for crude steel outcome, the *Rohstahlgemeinschaft* (RSG).<sup>38</sup>

From this moment on, "all falls into place".<sup>39</sup> Of course, the *Privatabkommen* does not mention the status of Arbed's division in the Saar area. But these two seemingly unrelated issues intersect in real life and put Mayrisch and consorts into an embarrassing situation. Could the Luxembourgers, with their plants in Aachen and Cologne, become "a member of the various syndicates while they are a competitor of these same syndicates for products coming from another plant [read: Burbach]" near Saarbrücken? Asking the question is answering it. Clarifying which rules apply to the forge in SDN territory is indeed simply inevitable. Several concomitant motives corroborate what is obvious. The stopping of several finishing roll trains at Rothe Erde for example would open the possibility of a transfer of the theoretical quota allotted to this plant within the German "A" products cartel. If it were possible to reach an agreement with the leaders in Düsseldorf that this transfer is done in favour of Burbach, the deal would durably guarantee that the Saar work's rail rolling mill operates at its optimum tonnage capacity of 4.3%, rather than 2.8%.<sup>40</sup> But this would of course imply that Burbach first becomes a part of the Westphalian Verbände.

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<sup>37</sup> ARBED, AC. Vicaire, Mayrisch to Vicaire, 02.06.1925.

<sup>38</sup> ARBED, AC.7501, Vertrag zwischen der RSG und dem Konsortium 1. Felten & Guillaume in Mülheim, 2. Eschweiler Bergwerks-Verein in Kohlscheid, 3. Aachener Hüttengesellschaft der Rothen Erden in Luxemburg, [août 1925].

<sup>39</sup> HADIR, 1.m.1, Réunion [du matin] du 30 janvier 1926 à Luxembourg.

<sup>40</sup> ARBED, AC.7501, Heimann-Kreuser to Mayrisch, 30.11.1925.

The leading staff in Luxembourg is also aware of the precarious equilibrium between the five large steel mills of the Saar. Völklingen has opposed the French policy of seizing economic control over the region for years. The Röchling brothers' dissidence has nonetheless had no major consequences, ... until in November 1925, Heimann-Kreuser learns of the intention of the Aciéries du Nord & Lorraine to sell their majority share in the Neunkirchen forge to the Rhineland industrial Otto Wolff.<sup>41</sup> The repercussions of this sale are predictable. The new owner, may it be only out of patriotism, would not lose any time to side with Völklingen and to join the German organisations. The local balance of force would thus be shaken. The remaining three plants – Burbach as well as the Dillingen and Brebach mills, controlled by the Lorrains of Rombas and Pont-à-Mousson respectively – would be forced to follow the movement. They would not have any alternative because, through an odd coincidence, Poensgen informs Arbed of an alarming development at exactly the same time. According to the RSG spokesman, the government in Berlin is about to readjust the Saarland customs moratorium in such a way that in the future it “would only render the tax payment reprieve to those companies that accept to be members in the Verbände”!<sup>42</sup>

Mayrisch immediately realises the danger emanating from the upcoming change. If he leaves the initiative to Röchling and Wolff, they will certainly manage to profit from the fact that they are the first Saarland entrepreneurs to join the RSG. Burbach would go empty-handed. However, if Arbed takes the lead by opening the debate with the Stahlhof without delay, they would potentially become the Ruhr industrials' best friend since they would render them the considerable service of helping the Westphalian mill owners to put pressure on the recalcitrant French owners of Dillingen and Brebach.<sup>43</sup> The odour of treason visibly surrounding this does not bother Mayrisch. Quite aware of the risk he runs to be treated as the one who holds “the responsibility for having broken the frontlines”<sup>44</sup> with the CFF, he chooses to resolve “his” Saarland question “in a stealthy manner”. He negotiates a *Sonderabkommen* with Poensgen.<sup>45</sup> Tailored on the model of the *Privatabkommen*, this “special agreement” is twice as attractive. The draft contract gives the Burbach division a generous quota within the German cartel. It furthermore enables the Aciéries Réunies to shatter the plans of the ministry of Commerce in Paris for good. Serruys is pushed to the wall. Unless he is willing to put his countrymen running mills in the Saarland in an intolerable position, he has to revoke the customs and economic status for the SDN region that he had imposed in July of the previous year. In return, Mayrisch renounces uni-

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<sup>41</sup> Ibid., Heimann-Kreuser to Mayrisch, 19.11.1925. See also M. NATHUSIUS, *L'acier sarrois et l'Europe*, Centre de recherches européennes Lausanne, Lausanne, 1970, p.34.

<sup>42</sup> ARBED, AC.7501, Heimann-Kreuser to Mayrisch, 24.11.1925.

<sup>43</sup> Ibid., Heimann-Kreuser to Mayrisch, 11.01.1926.

<sup>44</sup> ARBED, AC. Vicaire, Vicaire to Mayrisch, 23.01.1926.

<sup>45</sup> ARBED, AC.7501, Heimann-Kreuser to Mayrisch, 10.11.1925.

lateral actions. He withdraws the Sonderabkommen. However, his manoeuvring has paid off. Burbach's quota remains untouched and as a bonus he forces the French authorities to promise that they will no longer interfere with sending steel from the Saarland as well as from Lorraine and Luxembourg to Germany.<sup>46</sup>

Thus, in early 1926 business prospects are rather excellent for Arbed – with one exception. Since the director general's private conversation on 26<sup>th</sup> January in Düsseldorf with the spiritual father of the ISC, Thyssen insists that all pending affairs be interdependent.<sup>47</sup> "No agreement" – the German says – "can be reached between the SWV [Stahlwerks-Verband] on one side and Lorraine and the Grand-Duchy on the other before a general entente on steel production has been reached between France, Germany, Luxembourg and Belgium".<sup>48</sup> Mayrisch later confesses that the proposed deal does "not fill him with enthusiasm".<sup>49</sup> Nonetheless he takes the "gravest, most far-reaching decision"<sup>50</sup> of his long career : he tolerates being subjected to basic common rules – not out of conviction, but because the extremely advantageous "related" conventions of the Privatabkommen, the Burbach quota, the status of the Saar and the renewal of the Lorraine-Luxembourg contingent would never have entered into force without the ISC.

Mayrisch feels fewer scruples to consent to the cartel when the difficult negotiations beginning on January 30, 1926 give him ample opportunity to steer the debate in whichever direction he sees fit. So there are examples where he either engages in alliances with certain industrial groups in order to have clauses dropped from the agreement that are harmful to his company, or where he sides with some other national associations in order to impose clauses that are favourable to Luxembourg. A series of three concrete examples will be sufficient to illustrate a tactic which ultimately aims at consecrating Arbed's position in the sector of heavy industry in post-Versailles Europe. They also reveal how much the leader of the GISL contributes to the amendment of a pact that is from the outset destined to collapse.<sup>51</sup>

Firstly : despite the hesitations on the part of the Ruhr, and despite the ferocious opposition of several Walloon and French mill-masters, Mayrisch "draws attention to

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<sup>46</sup> Ibid., *Projet d'accord entre les forges sarroises & allemandes*, 22.01.1926.

<sup>47</sup> Ibid., *Sitzung Düsseldorf*, 26.01.1926.

<sup>48</sup> Ibid., *Note au sujet des projets d'accords entre le Stahlwerks-Verband d'une part, et d'autre part les sidérurgies française, luxembourgeoise & sarroise*, 23.03.1926.

<sup>49</sup> ARBED, AC.01760, 25<sup>e</sup> conférence du Comité de Direction Arbed-Terres Rouges, 16.08.1926.

<sup>50</sup> *Mémoire de Mayrisch relatif au «projet Thyssen»*, op.cit.

<sup>51</sup> For details, see C. BARTHEL, *Bras de fer. Les maîtres de forges luxembourgeois, entre les débuts de l'UEBL et le Lorcarno sidérurgique des cartels internationaux. 1918-1929*, PhD thesis, Aix-en-Provence/Luxembourg, 2004, to be published.

companies that own plants in several countries. He deems that transfers between them must be authorised".<sup>52</sup> This clause is of great importance in the economic development of Arbed's recent hidden takeover of Terres Rouges and the subsequent remodelling of the industrial sites around Esch/Alzette. In order to ensure a maximal utilisation of the Luxembourgish rolling mills an additional furnace has to be activated in Audun-le-Tiche in France. Its crude iron "will be transported in liquid form to the Belval plant".<sup>53</sup> Also, stopping the casting at Rothe Erde in Aachen is only being profitable if all of the "55,000 tons of raw steel [that are abandoned] per quarter" are recovered elsewhere. Part of the production rights, as has been mentioned, are to be ceded to Burbach. The other part is earmarked for Luxembourg. This serves Mayrisch when demanding an increase of the ISC quota in favour of the Esch-Frontière forge which is to be reactivated in order to fully supply a second blooming assembled in Schiffflange. Switching quotas from one country to another is therefore of prime importance as the lack of such an authorisation would have dire consequences for the consortium.<sup>54</sup> Fortunately, the Aciéries Réunies find the envoys of the GHFAB and the CFF sensitive to multinational issues. Jacques van Hoegaerden leads the Belgian Ougrée group which owns the Rodange plants in Luxembourg and the company *La Chiens* in France ; Théodore Laurent, director of Rombas, a French firm, also presides over Dillingen in the Saar and Hadir in Luxembourg. Both men also toy with the idea of a cross-border rationalisation which they hope will optimally adapt production to the future ISC quotas. Here it becomes absolutely obvious that the major players in the sector are running damage limitation. They attempt to counterbalance the concessions that the agreement forces them to make towards weaker competitors by pushing the division of labour through transfers as far as they can.<sup>55</sup>

Secondly : not being a cartel in the strict sense,<sup>56</sup> ISC achieves its primary objective – i.e. capping production through quarterly tonnage-programmes – by the indirect means of compensatory fees. This mechanism is based on the establishment of a "dollar fund".<sup>57</sup> Every syndicated enterprise pays one dollar for each ton of crude steel they produce. If they stay below their allocated quota, they are paid a rebate ; if they exceed their quota, they pay a penalty for their surplus output. While the principle is accepted unanimously, the amounts in question are not. Reeling from the German

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<sup>52</sup> Accord international sur les aciers. Séance du 10 mars 1926, op.cit.

<sup>53</sup> ARBED, AC.01760, 33<sup>e</sup> conférence du Comité de Direction Arbed-Terres Rouges, 07.11.1926.

<sup>54</sup> Ibid., 3<sup>e</sup> conférence du Comité de Direction Arbed-Terres Rouges, 08.03.1926.

<sup>55</sup> ARBED, AC. Nouveau Cartel de l'Acier, Article XI de la charte constitutive – acte "authentique" adopté à Bruxelles, 30.09.1926.

<sup>56</sup> When searching for a name for the agreement, Auguste Michaëlis, freshly nominated secretary-general of the organisation "initially wanted to choose 'International Steel Cartel'. It was however pointed out that 'cartel' would not be appropriate". ARBED, EIA. Correspondance, Michaëlis to Laurent, 21.10.1926.

<sup>57</sup> HADIR, 1. Procès-verbaux, 15<sup>e</sup> réunion du Comité directeur, 18.06.1929.

market crash of winter 1925/26, Thyssen “would prefer seeing the penalty increased from \$ 4 to \$ 5”. His request is in line with the Malthusianism of most of CFF and GHFAB’s members who, haunted by the possibility of staying below their quota, would also like to hit excess production with a “really efficient” surtax.<sup>58</sup> Mayrisch formally vetoes this. He is thinking of replacing the ageing furnaces in Dudelange with new units “of American design”. Measuring six metres at the crucible they will have a capacity without equal in the Saar-Lorraine-Luxembourg basin. If one adds to this the increased capacities mobilised by the installations around Esch, Arbed could very easily become the victim of chronic overproduction. The company therefore wants to introduce a carefully weighted penalty : it should be prohibitive for small companies while “not necessarily constituting an obstacle to production increases” for the leaders for whom “it might occasionally be advantageous to pay the penalty in order to benefit from an increased production” !<sup>59</sup>

Mayrisch proposes \$ 4 and settles the issue. In the meantime, the spectacular rebound of consumption in Germany has aroused the Westphalians’ caution. Thyssen becomes increasingly isolated in his own camp. Fearing that they might become the main contributors to the system, his compatriots want him to cease demanding excessive sanctions.<sup>60</sup> The director general of Arbed takes advantage of this also to push his personal concept of rebates. Rather than being equal to the penalties, as the original project stipulates, the will to prevent certain ill-equipped steel mills from becoming parasitical “pensioners”<sup>61</sup> fuels Mayrisch’s determination to reduce the premiums to \$ 2, under the condition that the quota “entitling to compensation must not be greater than 10% of the contingent fixed for the corresponding trimester”.<sup>62</sup>

Thirdly : Mayrisch is also satisfied with the issue of tonnages allocated to each national association. From the beginning of the quota battle he supports the adoption of a calculation based “on actual production *and* on existing productive force”.<sup>63</sup> The amalgamation of these parameters is of course an expression of the need to safeguard the newly created capacities in the Grand Duchy – about 200000 tons – from penalties. Obviously his foreign colleagues see the issue quite differently. Confronted with their refusal to give in, Mayrisch prefers not to partake in international meetings, leaving the unpleasant task of orchestrating Arbed’s insurrection to his crown prince. Aloyse Meyer does his best and persists. Regardless of the pressure exerted by the French

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<sup>58</sup> Ibid., Accord International sur l'Acier. Séance à Paris, 13.08.1926.

<sup>59</sup> 25<sup>e</sup> conférence du Comité de Direction Arbed-Terres Rouges, op.cit.

<sup>60</sup> HADIR, 1. Accords, Poensgen to Mayrisch, 24.12.1926.

<sup>61</sup> Accord international sur les aciers. Séance du 10 mars 1926, op.cit.

<sup>62</sup> HADIR, 1.m.1, Internationale Rohstahlgemeinschaft. Entwurf Laurent, 15.07.1926. See also article VII of the EIA charter, op.cit.

<sup>63</sup> Mémoire de Mayrisch relatif au «projet Thyssen», op.cit.

steel barons who accuse him of “jeopardizing the pending agreement”<sup>64</sup> he does not give in before having achieved at least a partial success. Eager to unblock a situation that has gone completely astray, Humbert De Wendel outlines a transaction by which the actual crude steel casted within the reference period – 25.3 million tons – will be the basis for calculating the quotas. These quanta will be modulated afterwards in function of the virtual increase in future steel consumption. To do so, the iron-master of Hayange envisions four hypothetical increases of a million tons each which might be absorbed by the markets beyond the current demand. With each of these increases certain groups, among them the GISL, are entitled to “priorities” which are defined in advance and which are taken into consideration when correcting initial quotas, which will become final once the agreement will have reached its “normal” regimen of 29,3 million tons and more.<sup>65</sup> Mayrisch is still not satisfied and :

“comes back to the question of the supplementary contingent of 200000 tons [...]. After having examined the question in depth, Arbed finds it impossible to accept the agreement if it is not granted the following increases : 50000 tons immediately ; 50000 tons from October 1<sup>st</sup> onwards ; 100000 from April 1<sup>st</sup> of next year onwards”.<sup>66</sup>

Upon this, he lapses into a long silence clearly meant to show his stubborn refusal of a vague promise which would only benefit him in the highly hypothetical case of an improvement in the steel market. Laurent unsuccessfully reminds him that “this is a moment for concessions”.<sup>67</sup> Mayrisch stands firm. Finally the only way to forestall the imminent breakdown of negotiations is to ensure that the ISC’s management committee puts the pact into action with a tonnage-programme that is considerably higher than a careful moderation policy based on an objective study of the economic context would have recommended.

### **The president of the ISC and the failure of the Steel Pact**

Barely three months after the signing of the agreement the first “clouds on the horizon”<sup>68</sup> announce the “great illness”<sup>69</sup> that slowly reduces the illustrious club of

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<sup>64</sup> HADIR, 1. Procès-verbaux, Entente internationale sur la production de l’acier. Réunion à Luxembourg, 06.05.1926.

<sup>65</sup> HADIR, 1. Procès-verbaux, Réunion à Paris, 22.04.1926.

<sup>66</sup> Ibid., Entente internationale. Réunion à Düsseldorf, 08.07.1926.

<sup>67</sup> Ibid., Accord international. Séance à Bruxelles, 18.05.1926.

<sup>68</sup> HADIR, 1. Accords, Remarques au sujet de la note de M. Thyssen, 27.01.1927.

<sup>69</sup> ARBED, EIA. Comptoirs – procès-verbaux, 4<sup>e</sup> réunion du Comité directeur de l’EIA, 04.02.1927.

steel barons into a “consent group”<sup>70</sup> incapable of mastering the persistent gap between badly defined quotas and the constant exaggeration of anticipatory manufacturing programmes. The pressure exerted by Arbed throughout the negotiations in order to enforce an increase of its rights is partially responsible for the immediate failure of the effort to bring some order into European production. France too is not innocent. The CFF (and the Paris government, always present in the wings) wishes to salvage at least a residue of control over industrial development on the other side of the Rhine. Since the disappointments of the MICUM – which mark the resounding collapse of the ambitious project of 1918/19 to transform Europe in a (French) “steel citadel”<sup>71</sup> – Paris banks on the sector cooperating voluntarily rather than through coercion.<sup>72</sup> Through its quantitative restrictions, combined with pecuniary penalties, the gentlemen’s agreement must help the French industry to keep the spectacular rise of production in Rhineland-Westphalia within bounds. As a result, Germany “has been excessively squeezed”<sup>73</sup> when quotas were distributed. Neither its base coefficient of 40.45%, nor its readjustment to 43.18% at the end of the fourth priority increase<sup>74</sup> seem anywhere near being adequate since autumn of 1926, when the order books of the Ruhr plants are full.

Despite the stagnating demand almost everywhere in Europe and the world, the economic recovery within the German customs space continues at an accelerated pace. The RSG uses up, then exceeds, its quota, only with deliveries on the internal market. The overflow is emphasised by the industry’s desire to stay in contact with the outside. The orders coming from international customers thus result in a deluge of penalties on a constantly growing percentage of the production. The multiplication of payments into the common fund (\$ 1.3 million in the first three months following the ISC agreement alone)<sup>75</sup> would, as such, not be disastrous, but only under the condition of stabilising prices at a high enough level to compensate for the \$ 4 surcharge per ton through the income generated by the output surplus. But therein lies the flaw. The slight decrease in exports noticeable from November 1926 onwards leads Laurent, van Hoegaerden and even Mayrisch to admit that they “were wrong to increase the ton-

<sup>70</sup> Remark by Arthur Klotzbach. HADIR, 1. Procès-verbaux, Note relative à la 2<sup>e</sup> réunion de la Commission restreinte, 26.09.1929.

<sup>71</sup> G.-H. SOUTOU, *L’or et le sang. Les buts de guerre économiques de la Première Guerre mondiale*, Fayard, Paris, 1989, pp.801 f.

<sup>72</sup> Note the strong resemblance with the “Monnet plan” : The new steel and coal pact proposed in 1950 is of course European rather than private ; it does not attempt to cloister markets but to integrate them. This does not, however, change the fact that German (and Luxembourgish) industrials regard it as an instrument meant to rein in their dynamism for the benefit of a French steel sector that has trouble meeting the objectives it fixed itself after WWII. See ARBED, P.60, Vertrauliches Rundschreiben der WVESI, 05.06.1950.

<sup>73</sup> Poensgen to Mayrisch, 24.12.1926, op.cit.

<sup>74</sup> ARBED, EIA. Quantums de base rectifiés, Annex to the Résolution du Comité directeur, 26.06.1928.

<sup>75</sup> ARBED, P.XXXVI, Réunion du Conseil d’administration, 11.02.1927.

nage-programme".<sup>76</sup> In a sudden panic, the ISC's president begins preaching moderation. He pleads in favour of lowering production provisions. This measure is met with massive protest from the leaders of the Stahlhof who are asked to square circles: while they could easily sell more on the German market, the lowering of official quantum implies a drop in the tonnage exempted from penalties at the very moment that a deterioration of the export markets denies them the supplementary income necessary for financing the duties transferred into the dollar fund.

The industrialists therefore have to face the fact that they are not dealing with "teething troubles",<sup>77</sup> but with a serious flaw in the adopted regulations. The only real solution would of course be a revision of the "erroneous" appreciation of "the German quota". Unfortunately the "psychology of the past"<sup>78</sup> precludes this. Neither France nor Belgium nor Luxembourg could tolerate giving up part of what has been awarded to them in favour of the Ruhr. "This [...] would be the irreversible ruin of the Entente".<sup>79</sup> Failing a better solution, the mill masters seek salvation in pretexts that invariably attempt to tie the regulation of production to a better sales organisation.

Van Hoegaerden, for example, suggests transforming the "recommendations" made by the board of the main sales directors – this unofficial assembly had been called to analyse "complementary support actions" likely to correct the agreement's flaws<sup>80</sup> – into "more or less binding commitments". The idea finally is synonymous of creating a price cartel that would either work autonomously or be integrated into the ISC.<sup>81</sup> The Belgian motion is generally well received in France and in Germany.<sup>82</sup> But it comes up against the unyielding resistance of Emile Mayrisch. "I sincerely regret", he writes to Van Hoegaerden,

"that I cannot agree with your view. I do not think that we should seek price arrangements [...]; I have great apprehensions and no confidence whatsoever in the results of such a decision. First and foremost, one would not manage to make every producer comply with the prices that were agreed upon [...]. It is therefore certain that if one was to fix prices for a restricted circle of producers, these would have a handicap compared to out-

<sup>76</sup> HADIR, 1. Procès-verbaux, 3<sup>e</sup> réunion du Comité de Direction de l'EIA, 09.12.1926.

<sup>77</sup> Réunion du Conseil d'administration, 11.02.1927, op.cit.

<sup>78</sup> HADIR, 1.«Procès-verbaux», Séance spéciale des délégués des groupes luxembourgeois et belge de l'EIA, 09.05.1928. Mayrisch also refers to a "war psychosis". Cf. *Les ententes économiques internationales et la paix*, in: *L'Europe nouvelle*, 24.12.1927. p.1702.

<sup>79</sup> 4<sup>e</sup> réunion du Comité directeur de l'EIA, 04.02.1927, op.cit.

<sup>80</sup> ARBED, EIA. Correspondance, Poensgen to Mayrisch, 29.11.1926.

<sup>81</sup> Ibid., Hoegaerden to Mayrisch, 04.12.1926.

<sup>82</sup> Ibid., Laurent to Hoegaerden, 28.11.1926 ; Hoegaerden to Poensgen, 03.12.1926 ; HADIR, 1 Accords, Laurent to Mayrisch, 25.01.1927.

siders who would certainly know these prices and would only have to stay below them to fill their order books. Also, in Luxembourg all factories would be submitted to the common discipline whereas in Belgium there would certainly be independent [read : dissident] plants, as there would be in France. Another inconvenient for the Grand-Duchy as well as for Belgium would be that we would have to apply those prices for almost the totality of our production, given the absence of an internal market of any importance, whereas Germany and France, with their large internal market, would have a considerable advantage with prices that we cannot control. Finally, I must have you observe [...] that we need to have a pricing policy for export products that takes into account their outlets rather than implementing a global price".<sup>83</sup>

The argument of a significant gap in the proportions of the internal and export markets of the four founding member states of the ISC comes back to the forefront when, after an unsuccessful attempt to implement a clearing house<sup>84</sup> modelled on the London rail order register held by the IRMA, discussions between the steel producers focus on installing comptoirs for different products.

Mayrisch is not taken by surprise. For a long time he dreads an evolution that would one day head towards contractual commitments. Together with the main Columéta staff members he therefore spent some attention analysing the question in order to identify which syndicates would be favourable and which should be avoided at all costs. A wireworks organisation is declared downright "harmful". One of Arbed's Belgian subsidiaries (Clouterie et Tréfilerie des Flandres) nearly doubled its wire rolling in the past years, and the introduction of a comptoir would entail "a drop in production of at least 20% ; there would be no advantage for us, even if the price of drawn products were to increase by one pound [sterling] per ton". For sheet metal the verdict is identical. Either the creation of an international authority has to be prevented or deferred until the Luxembourgish group has conquered its "part of the market" in a branch in which it has only begun its activities. Syndicating section bars or beams might, on the other hand, become "interesting". The highest benefit would however come from a regulation of the semi-finished products trade. There are two main causes for this : a strict control would stimulate a price increase while reducing competition between the transforming industries that consume the major part of the sold tonnages. Furthermore, due to the installation of modern finishing mills, the company of Arbed-Terres Rouges "finishes the major part of their own output",

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<sup>83</sup> ARBED, EIA. Correspondance, Mayrisch to Hoegaerden, 07.12.1926.

<sup>84</sup> 3<sup>e</sup> réunion du Comité de Direction de l'EIA, 09.12.1926, op.cit.

meaning that they sell a relatively insignificant quantity to third parties since the lion's share of the material is absorbed by the firm's dependencies.<sup>85</sup> Since the comp-toirs exclusively deal with the tonnages put on the market the Luxembourgish group would fully profit from a hypothetical price increase while being sheltered from unpleasant surprises if ever the syndicates' coordination boards would decree a cap on the offer.

The somewhat twisted concept of getting an advantage out of an organisation that would essentially not be used is a typical reflection of the Grand-Duchy heavy industry's dilemma :

"Countries with a small interior market are not in the same situation as others. The latter would smother the former in case of a drop in domestic sales".<sup>86</sup>

The danger of a market slowdown in France and/or in the Reich (Mayrisch dreads a "likely industrial crisis in Germany"),<sup>87</sup> weighs heavily, since in a recession period in the major production nations the CFF and/or the RSG would inevitably attempt to sell their surplus on the export market, to the disadvantage mostly of their two UEBL partners. Luxembourgish and Belgian forges would then not only suffer a reduction of their part in exportation, for which they would have to compete with a larger number of other producers. They would also suffer from the impact of a price drop in the wake of an increased offer. A turn for the worse for the international demand of this kind would have a much greater impact on them given that they are essentially deprived of the two regulatory mechanisms that permit at least a partial attenuation of a depression's consequences, which are customs protection and a large domestic consumption. Protected by more or less prohibitive taxes "countries with a large internal market can influence their internal market through their pricing policy, stimulating it or slowing it down in function of the adopted prices". Increasing the amount billed on the local sales therefore enables them to recover – at least partially – the income sacrificed in the race for export orders, whereas the free trade and insignificant quantities of the UEBL (barely a quarter of the total production) would force Luxembourgish and Belgian mills alike to absorb an unacceptable deficit due to increased dumping.

It doesn't take much imagination to foresee that, under those circumstances, the ISC's president is not "a convinced partisan of syndicates [...]. He would [nonetheless] give

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<sup>85</sup> Objections contre [le] projet Th[yssen] ; and 1<sup>ère</sup> conférence du Comité de Direction Arbed-Terres Rouges, 20.02.1926 op.cit.

<sup>86</sup> ARBED, P.XXXVI, Réunion du Conseil d'administration, 08.07.1927.

<sup>87</sup> Ibid.

in to present necessities”,<sup>88</sup> provided that some elementary assurances are given. Mayrisch does not need to expose himself this time in order to reach the goal. Other members of the special commission created for the implementation of *comptoirs* take on the unpleasant role of primary spoilsports in the discussions begun in early 1927.

The GISL’s preoccupation with the limitation of the volume of production to be syndicated strictly speaking solves itself. After interminable debates the range of products to be taken up by particular cartels keeps on shrinking. Given the contradictory demands of each national association, the search for the lowest common denominator pushes the experts of the four countries to concentrate their efforts on semi finished products and profiles, grouped in a single “class” for the purpose at hand, while, due to pressure from all camps, the inclusion of sheets, strips, wires, etc. is adjourned *sine die*. The pitiful reduction of the portion of steels incorporated in international organisations takes care of the second source of Mayrisch’s irritations. Contrary to the trio Poensgen, Laurent and Van Hoegaerden he has always been careful to ban any kind of amalgamation between the general agreement on raw steel on the one hand and its commercial sub-groups on the other. The grotesque disproportion between the quanta dependent on the former and the insignificant tonnages that are finally regulated by the latter dispenses Arbed’s director from further interference. Given the pronounced difference “the syndicates cannot be made to comply with the Agreement”.<sup>89</sup> This success, insignificant at first sight, could constitute a key element of Mayrisch’s specious negotiation technique, as we shall see.

Before moving on to interpretations we need to underline that the Luxembourgers’ third major preoccupation momentarily seems to find a “seductive” solution through a shrewd combination erected by the GHFAB’s spokesman. In order to make up for the distortions born from the variable importance of local markets and their – more or less – advanced protection :

“one should [...], for all countries, establish «interior» and «export» quotas and artificially create an interior market that is equivalent in percentage to the interior market of the most favoured country for us [Belgians and Luxembourgers]”.<sup>90</sup>

As ingenious as it was, the “fictional interiors” formula and its “fallout on exportation” granted to the UEBL companies is impracticable. It trips over the objections levelled by the Stahlhof, which would once more carry the costs of the operation. Initially its leaders counteract Van Hoegaerden’s concept by proposing “warehouses for ex-

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<sup>88</sup> 4<sup>e</sup> réunion du Comité directeur de l’EIA, 04.02.1927, op.cit.

<sup>89</sup> ARBED, EIA Comptoirs – procès-verbaux, Réunion (non officielle) du Comité directeur de l’EIA, 24.03.1927.

<sup>90</sup> Ibid., Réunion (non officielle), 10.02.1927.

portation only”.<sup>91</sup> But yet again the discussion fails to be reactivated. As soon as the national delegations tackle the setting of reference periods and the division of quotas the “mutually exclusive claims”<sup>92</sup> carousel is in motion again. By far the most troubling demands come from the Walloons. While the CFF, the RSG and the GISL work on finalising an ultimate compromise by Mayrisch, which is to retain the effective sales of the five quarters between January 1, 1926 and March 31, 1927<sup>93</sup> as the basis for calculations, the director of Ougrée attempts a higher bid. On December 8, 1927, during a last-chance conference, his stubbornness marks the end of product cartels.<sup>94</sup> A mere 10000 tons separate the GHFAB’s demands from the agreements steering committee’s offer ! This difference – ridiculously low in comparison with the global annual quantum – is telling. According to Mayrisch, there is no mystery : “the Belgians do not want a syndicate at this point”.<sup>95</sup>

### Conclusion

It is a narrow escape for Mayrisch. Thanks to the GHFAB’s refusal, he eschews having to put his cards on the table because, in reality, one can bet that he does not wish a reinforcement of the entente’s competences either. Why would a man of his character, “naturally independent and individualist, rather of a fighting spirit”,<sup>96</sup> have tolerated a direction that was not compatible with his concepts as a fervent adept of Manchester liberal capitalism ? Moreover, the results of a restrictive sales organisation are too random. They cannot compete with the advantage to be taken from the lop-sided compromise that was eventually retained by the continent’s steel leaders : from 1927 onwards they adopt a policy that associates a systematic overvaluation of programmed tonnages with a progressive reduction of penalties imposed on German Konzern in order to leave a sufficient gain to the RSG to be able to carry the dollar burden placed on its overproduction.<sup>97</sup> Arbed is satisfied. It “cannot complain [...] given that it will receive money in spite of its [own] excess” of the allocated quota.<sup>98</sup>

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<sup>91</sup> Ibid., Réunion (non officielle), 25.03.1927.

<sup>92</sup> HADIR, 1. Procès-verbaux, 1<sup>ère</sup> séance de la Commission constituée pour l’étude des comptoirs de profilés et de demi-produits, 18.07.1927.

<sup>93</sup> See also ARBED, AC.7501, Mayrisch to Poensgen, 29.07.1927.

<sup>94</sup> HADIR, 1. Procès-verbaux, 4<sup>e</sup> séance de la Commission instituée pour l’étude des Comptoirs pour Profilés & Demi-Produits, 08.12.1927.

<sup>95</sup> ARBED, AC.7501, Mayrisch to Poensgen, 19.12.1927.

<sup>96</sup> Funerary eulogy on Mayrisch pronounced by Laurent. ARBED, EIA Comptoirs – procès-verbaux, 10<sup>e</sup> réunion du Comité directeur de l’EIA, 07.03.1928.

<sup>97</sup> Cf. also HADIR, 1. Accords, Note sur les dépassements de l’Allemagne, [février 1928] and anonymous note, 13.07.1928.

<sup>98</sup> ARBED, AC.22105, GISL. Procès-verbal, 30.04.1929.

Through the complex interplay of financial compensations and the out-of-sync casts in different countries, the company has evidently done magnificent business.

Hereupon, rather than seeking an efficient but “radical solution”,<sup>99</sup> the ISC’s president devotes all his efforts to the preservation of the general arrangement on raw steel. The entente of course represents, in his eyes, an inadequate solution to the problem of an oversaturated market. It is nonetheless necessary to support it because otherwise preserving the Privatabkommen, the Luxembourg-Lorraine contingent and the statute of the Saarland forges would be in danger. These connected agreements matter infinitely more to the director of the Aciéries Réunies, given that they enable him, at the end of the day, to revive his little private Zollverein through a return to the “good old days” before the War. Luckily the “Grand Chef” finds his foreign homologues to be equally convinced that “an agreement for appearances’ sake is better than no agreement at all”. “For the sake of respecting public opinion” and also because of a fear of seeing the ministries in Paris and Berlin taking the heavy industry back into their hands, the Comité des Forges and the Stahlhof have rapidly convinced themselves of the capital importance of “simply putting up a front”.<sup>100</sup> Admitting failure would not have squared with their instinct for self-esteem. Far from the pan-European ideals that one seeks in vain in the countless minutes of the meetings between steel barons, Mayrisch and his peers have dared contradicting those who, even at that time, begin equating the ISC with the Franco-German committee and vice-versa to deduce a quasi-mythical effort in the service of peace from it. Seen in this light the actions of the director of the Arbed have doubtlessly and inconsiderately trapped the industrialists. Even though they know perfectly well that they will have to rid themselves of a pact that has become obsolete before attempting to rebuild it on other preconditions, they studiously avoid divulging the shipwreck of their collective attempt to order the chaos born from the economic and customs siege decreed in Versailles because they neither could nor wanted to disappoint the hopes created by their “Locarno”.

The great private haggling – in spite of its numerous drawbacks – has nonetheless a capital advantage unanimously recognised by all experts of the sector : it spares the steel sector from having to open Pandora’s box of bilateral, or even multilateral commercial negotiations between governments. The hermetic closure of national markets (with the exception of some rare derogations, rigorously defined such as the Lorraine-Luxembourgish contingent or the reduced quantity of French steel drained to Belgium), the ISC convention and the secret protocols attached to it *de facto* “neutralise” the questions of customs tariffs on metal products. This explains the unhurried ap-

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<sup>99</sup> HADIR, 1. Procès-verbaux, 1<sup>ère</sup> séance de la Commission spéciale [pour l’étude des Comptoirs], 30.03.1928.

<sup>100</sup> HADIR, 1. Procès-verbaux, Note relative à la 3<sup>e</sup> réunion de la Commission restreinte, 29.10.1929.

proach of the forge-masters to fall in step with the spokesmen of a European customs union. The response given by Mayrisch to the questionnaire elaborated by an international committee presided by Dr Edgar Stern Rubath in 1927 is highly eloquent in this respect : “even though he is personally in favour of such a customs union, the eminent Luxembourgish industrialist thinks that, regardless of all difficulties, it would be easier to create a world-wide customs union than a European one, which would have to compete with the British Empire, the United States and Russia”.<sup>101</sup> What an elegant formulation to postpone a European Union indefinitely.

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<sup>101</sup> A.C. PILAVACHI, *La politique douanière des trois principaux Etats européens et celle de la Société des Nations*, Lib. R. Guillon, Paris, 1928, p.387.