COMMISSION OF THE EUROPEAN COMMUNITIES

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GENERAL OBJECTIVES STEEL 1990

Position of the Spanish and Portuguese Authorities

Introduction

Before finally adopting the text of the General Objectives Steel 1990, the Commission undertook official consultations with the new member countries of the Community.

The comments of the Spanish and Portuguese Authorities on the working document "General Objectives Steel 1990" (COM(85)208 final) of 31 May 1985 will be found below.

The points made in these documents, however, relate only to the two countries concerned since they were unable to participate, unlike the other Member States, in the drafting of the general objectives, nor were they at that time represented in the consultative bodies provided for in the ECSC Treaty.

"General Objectives Steel 1990"

Position of Spain

The working document "General Objectives Steel 1990"(1), transmitted by Directorate General III of the Commission to the Directorate General for the Steel and Shipbuilding Industries of the Ministry of Industry and Energy, basically lay down the macro-economic structure in which the present Community's Steel Industry will have to draw up its medium-term industrial strategy. The document contains several references to the current and future situation of the Spanish steel industry; the working hypothesis presented consists in a transposition of the forecasts for 1986 for apparent consumption, the net foreign trade balance and the production of ECSC steel products in Spain to 1990. The forecasts were transmitted by the Spanish Delegation to the Commission during the Summer of 1984 at which point the negotiations for accession to the European Communities were taking place.

Having analysed this document, the Directorate General for Steel and Shipbuilding Industries thought it best to communicate to the Commission a number of general comments on the medium term prospects for the Spanish Steel Industry within the Community and some general forecasts for 1990; the latter are of an approximate nature and will have to be periodically reviewed as the General Objectives Steel for the Community in its enlarged form are themselves revised.

I. General principles

- The Spanish steel industry is currently in the middle of a restructuring plan started much later than those undertaken by the Community; this restructuring should be completed by the end of 1988, as laid down in the Treaty of Accession of Spain to the European Communities.

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(1) Document COM(85)208 final, 31 May 1985.

- At the end of this period Spain would hope to have a modern steel industry and be in a relatively competitive and profitable situation, without the need for public aid and on an equal footing with the steel industries in the rest of the Community.

II. Current situation

- The Spanish economy is still passing through a crisis which is both extraordinarily severe and longlasting and which is having a particularly significant impact on the level of unemployment.

- This crisis has affected all the economic sectors of the country and, in particular, the industrial sectors which are users of steel products.

- Since 1974 this has led to a progressive reduction in the consumption of steel, which is now less than 200 kilos per head, very far from the current average in the Community, which should not be the case in Spain given its nature and the economic and industrial potential which exist.

- Consequently, the Spanish steel industry, which represents over 3 % of the Spanish GDP, currently has a great deal of overcapacity. However, once the restructuring process is completed, the maximum production capacities laid down in the Treaty of Accession to the European Communities will be designed to maintain the logical expansion of the Spanish processing industry without compromising the presence on the world market it has acquired over recent years.

III. Future trends

- The recent trend in the Spanish economy and the current situation of its industry enable a number of hypotheses to be established with relation to the future trends in the consumption of steel, namely :

  - The apparent consumption of steel in Spain will start to improve progressively and to a greater extent than that in the other Community countries, due to Spain's current low figures.

  - The apparent consumption of steel in Spain will, naturally, be likely to reach, in the long term, a per capita consumption which should be similar to the average consumption in the Community at present, i.e. around 320 kilos of ECSC products per person per annum.

  - The trend towards a progressive reduction in the specific consumption of steel is a certain fact at world level and is more marked in the industrialized countries; however, in the case of Spain and for the reasons already mentioned, it should be less marked until it reaches more normal levels of consumption.

  - For the same reasons, a lower level of economic and technological development, it is unlikely that there will be any significant effects as a result of the substitution of steel by other materials. This phenomenon will no doubt occur in Spain, but to a much lesser extent than in the more industrialized countries.

  - By the time the Spanish steel industry has completed its restructuring, technology will not have undergone any notable changes and any improvements will come as a result of the continuing research into cost reduction and better productivity.

- Until the consumption targets provided for have been attained, the Spanish steel industry will have to continue its current export drive so as to maintain the required level of utilization and yield of existing plant.

- With the export limit arrangements signed by Spain with certain zones and markets, Spanish exports during the next three to four years will be directed to a considerable extent towards other non-community countries.

IV. General Objectives Steel - Spain 1990

The consequence of the above is that the General Objectives Steel for Spain 1990 can be drawn up in the following terms as a general guide :

1) Spain subscribes to and shares the Community aims laid down in the Working Document presented by the Commission and represented in detail by :

   - a very modern steel industry;
   - a steel industry with no over-capacity, capacity being at a level which conforms to the forecast for future requirements of the Spanish economy and its traditional external markets;
   - a sufficient level of profitability for Spanish steel companies once the restructuring process has been completed.

2) Spain considers that it would be as well to establish two scenarios, as the Commission has done, for the likely development of steel consumption, namely :

- the low hypothesis : in this hypothesis it is assumed that the forecast for the consumption in Spain of ECSC steel products will be at a level of 8.6 million tonnes for 1990, a figure which was originally forecast for 1986;

- the high hypothesis : this forecast predicts a consumption of 9.3 million tonnes.

These forecasts are based on the predictions for trends in the GDP and GFCF carried out by the Spanish Government under their economic programme for 1985 to 1988; they take account of the falling trend for the specific consumption of steel with relation to forecasts for the development of activity in the consumer sectors. This has been evaluated as an average drop of one per cent per annum in the period 1980-1990.

3) Consequently, two predictions have also been made for the net balance from foreign trade in ECSC steel products in 1990 :

- low hypothesis : the forecast of a net balance on external trade for 1990 is fixed at 4.9 million tonnes of ECSC products, a quantity which is the same as that actually attained in 1984;

- high hypothesis : the forecast is for a total of 5.2 million tonnes.

With regard to the trade balance in ECSC products with the current Community, Spain is maintaining the target which has already been communicated to the Commission, namely a zero balance for 1986, but considers that this balance should be positive for Spain in 1990.

4) Given the above forecasts, an output of the order of 13.5 million tonnes of ECSC steel for 1990 can be assumed in the low hypothesis and 14.5 million tonnes in the high hypothesis.

5) Spain fully shares the Commissions preoccupations regarding the need to provide for specific action to relieve the serious social consequences of the restructuring in this sector. Current legislation in Spain on this topic has recoursed to specific means and instruments (funds for the promotion of employment, urgent reindustrialization zones, etc.), which should be fully compatible with the financial forecasts carried out for the individual Community instruments (ECSC funds, FEDER funds, European Social funds, etc.) for the coming years as part of the "steel social measures sector".

6) As regards the prospects for the scrap market in the current Community, Spain agrees with the detailed observations of the Commission as expressed in the Working Document mentioned above. It confirms that its forecasts for scrap import requirements for 1990 (of the order of 5 million tonnes per annum, i.e. a similar level to 1984) should not pose any quantitative problems for the supply of scrap to the enlarged Community.

General Objectives Steel 1990

The position of Portugal

In response to the invitation of the Directorate-General for the Internal Market and Industrial Affairs of the Commission, the document relating to the General Objectives Steel 1990(1) is examined below in brief, an attempt being made to show the aspects which would have an effect on the Portuguese steel industry after accession to the ECSC, adaptation to which will require considerable effort.

Details of our situation are given with a reference to each chapter. We also mention the specific measures which would enable integration into the ECSC to be made with a minimum of difficulty.

However, it should not be forgotten that one of the aims is a better reciprocal level in trade, the imbalance in which needs to be corrected.

In a difficult economic situation at the European level, which is reflected in the prospects for the development of the steel market, the Portuguese position is aimed at overcoming such difficulties in order for the industrial sector to be in a position to contribute in a positive way to the economic and social development necessary in this country.

I. Medium-term development in the steel market

Although we are in agreement with the overall situation as presented by the Community, we believe that in the case of the Portuguese market at the moment there are prospects for a medium-term increase in steel consumption.

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(1) Doc. COM(85)208 final, 31 May 1985.

This increased consumption should be based on the following three main factors :

- Stabilization of the market at the 1981 level as a result of the required economic recovery.

- Economic development necessary for the country up to 1990 with the aim of making up the gap with the other countries of the Community; this could be translated by a development in the GDP at a rate superior to that of the other European countries.

- The consumption of steel per person which is the lowest in Europe.

II. External trade

Despite its small size, the Portuguese market is the only one in the ECSC which is a net importer of steel products; this means that it is necessary to find solutions for the following problems :

- Increase in the rate of imports connected with the national economic recovery, with a possible evolution in the quality of the products imported.

- The need to balance the current deficit by establishing a flow of exports which will make up for the existing dependence.

Given our situation, a proper balance must be sought. This task merits the support of the Community given the economic and social efforts which will be necessary to overcome the current difficulties.

III. Balance between supply and demand

As mentioned above there is an imbalance in Portugal between supply and demand, which will have a favourable effect in the Community market.

With respect to this unfavourable situation for Portugal, the support of the Community will have to be obtained for the modernization of the Portuguese steel industry with the aim of making it competitive in the European context.

To this end, the Portuguese Government will approve a modernization project for the Siderurgia Nacional which should be completed soon and which will be submitted to the Community authorities in September next.

IV. Research and development

It is considered that the preoccupations of the ECSC in this field are fully justified, given the competition which exists in the metal products field.

However, given the state of development of our steel industry, these questions have not received sufficient attention; thus, for the moment, we can only underline certain aspects which we consider to be important, more precisely the adaptation of national raw materials to the metallurgical processes employed.

In addition, with respect to the selection and improvement of processes, it would be of some interest to consider the development of the application of computers to the industrial management of small steel enterprises.

V. Prices and conditions of sale

The analysis made by the Community of prices and conditions of sale relates to the situation which existed in the recent past and disregards the industrial policy which will have to be applied in the near future.

In Portugal, the system of protection will have to be changed and in the short term the trade policy measures which exist in the Community will have to be adopted.

The development of monetary parities, especially in relation to the dollar, is of great importance to the Portuguese steel industry, since our imports are paid in dollars; this has caused difficulties for the Siderurgia Nacional over recent years and it is, therefore, desirable to achieve greater stability in this area.

Strengthening the position of the Portuguese industry will be based on greater attention being paid to the following aspect :

- Attacking the problems relating to production costs, which determine competitiveness.

- Improving product quality if the European market is to be penetrated.

It is also considered that it would be very much to the point for steel companies to adopt the most up-to-date marketing strategies.

VI. Employment

Altough the Portuguese industry has so far not had the problem of retraining its workforce, it is quite possible that this situation will change as from 1986.

The need to increase competitiveness in the enterprises will make it necessary to improve productivity, which will have the effect of reducing staff.

Problems can, therefore be expected on the following fronts :

- Unemployment on levels which are impossible to predict at the moment given the fact that the conditions for modernizing plant are not yet decided.

- The need to retrain existing staff so as to improve them from a professional point of view.

Thus, ways of finding solutions to these problems will have to be found; we must base ouselves on ECSC experiences in this field and we would emphasize above all the need for financial support.

VII. Supplies

No difficulties with supplies of raw materials have so far been evident in the Portuguese steel industry, although it will be necessary to prevent them from arising in the future.

We should emphasize our dependence on the following factors : energy, scrap and hot-rolled coils for rerolling.

Electrical energy is only available in limited quantities, and that at tariffs which are apparently higher than those practised in the EEC.

As regards scrap, we need to import approximately 100.000 tonnes per annum to cover the deficit and to be able to use the installed electric arc furnace capacity. We should like to point out our anxieties with regard to the development of this situation of which we are losing control.

As regards hot-rolled coils, it is clear that the price will have an effect on the competitiveness of derived products : cold-rolled sheet, tinplate and galvanized sheet.