

# COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION COMMUNICATION TO THE COUNCIL

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STEEL : EXTERNAL MEASURES 1985

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I. General remarks

The maintenance until the end of 1985 of the internal element of the anti-crisis measures (Council deliberations of 25 July 1983) involves the need of maintaining for the year 1985 the outward defence (external element) also; the latter guarantees the proper operation of the internal element. However, the improvement of the market and the increase - even if modest - of Community consumption have persuaded the Commission to suggest a certain flexibility in the outward defence as compared with previous years in order to preserve the complementary nature of the external element.

II. Commission proposals for 1985

1. The Commission proposes to extend the basic aspects of the 1984 system to cover 1985, as follows :

a) Basic prices

Maintenance and, if necessary, adjustment of basic prices in 1985; the Commission will continue to monitor regularly the trend - as regards both quantities and prices - of imports from countries subject to the system so as to permit the rapid implementation of trade protection instruments in cases of unfair competition. The recent decision 2177/84/ECSC streamlines and complements the anti-dumping and anti-subsidy defence system against suppliers from third countries that have concluded no arrangement with the Commission.

The range of products covered by basic prices remains unchanged, with the exception of semis.

b) Arrangement system

Reintroduction of the following elements without change :

- Range of geographic application

The Commission proposes the prolongation of the steel arrangements for 1985 with the same countries as in 1984, i.e. : Austria, Finland, Norway, Sweden, South Africa, Australia, Brazil (pig iron), South Korea, Spain, Bulgaria, Hungary, Poland, Rumania, Czechoslovakia, and the special "understanding" with Japan. She is

prepared to examine the appropriateness and the possibility of concluding arrangements with other partners, and of broadening the coverage of products with Brazil.

- Regulation of quantities

- . Fixing by the Council of the rate of reduction for 1985 compared with the figure for 1980 on the basis of the need to maintain traditional trade flows in the light of the foreseeable trend for 1985 in apparent consumption in the Community.
- . Refusal to take into account such quantities as have not been used in 1984, either in the quantities concluded in the 1985 Arrangements or in the management of the Arrangements.
- . Consideration in the negotiations with the EFTA countries for the special nature of the arrangements- and especially for the principle of reciprocity- with these countries, concluded as they are in the framework of the free-trade agreements.
- . Commission statement, acknowledged by the Council, to the effect that where the quantities agreed in the arrangements with the state-trading countries for supply to Member States not covered by autonomous quotas are in danger of being exceeded, the Commission will authorize the Member State concerned to introduce an autonomous safeguard quota after consulting the third country in question.
- . Should new steel arrangements be negotiated for 1985 with developing countries, the Community would then take into account the particular situation of such countries in the determination of the quantities to be inserted in the arrangements.
- . Commission statement, acknowledged by the Council, to the effect that the five Member States operating traditional autonomous quotas may maintain them at their traditional level, though in compliance with the overall quantitative rule.

- . Triple clause : Commission statement, acknowledged by the Council, expressing its intention to remain particularly vigilant concerning compliance with the clause which provides for the maintenance of traditional trade flows while respecting staggering, geographical distribution and the breakdown of imports by product.

More particularly, as far as the staggering is concerned, the Commission proposes the elimination of the provision introduced for 1984 that limits the imports during either half year to 55% of the annual amount.

She intends <sup>however</sup> to monitor the staggering of the liveries during 1985 with extreme attention in order to prevent any concentration of imports during a given fraction of the year.

As far as geographical distribution is concerned, the Commission proposes, in the light of 1984 imports, a clear restatement of the interpretation she had made known previously, i.e. that in case of problems stemming from an unsatisfactory compliance with the geographical clause during 1984 in respect of certain Member States, she will seek a quantitative solution that takes into account both the quantities found in the reference period and the recent evolution of trade flows.

As far as breakdown by product is concerned, the Commission proposes the elimination of certain specific provisions which were adopted either as a consequence of sanctions (for Spain, wide-flange beams and re-bars) or of specific problems (EFTA countries, and especially for Norway wide-flange beams and re-bars). The need for such provisions was already waning in 1984.

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. Undertaking by the Commission, acknowledged by the Council, that in the event of violation or potential violation of the triple clause, it will immediately consult the country concerned with a view to finding the appropriate solution.

. Second choice products : maintenance of the special provisions or practices relating to this group of products and, in cooperation with the Member States increased surveillance of imports of such products in the framework of the new administration regulations that will be finalised by Member States and Commission.

. Temporary imports : exclusion from the scope of the arrangements of imports for hire processing when the product does not change owner.

- Price rules and margin of penetration

. Maintenance of penetration margins currently granted to the exporters of non-member countries by reference to Community delivered prices. For EFTA countries alternative choice between basic prices and delivered prices minus the margin of penetration.

. Alignment by Community producers : continued prohibition of such alignment.

- . Indirect imports : maintenance of the rule whereby such imports are subject to the basic prices and must be deducted from the quantities agreed.

- Price rules for deliveries to shipyards

The price system for steel imported for use in shipyards or ship repair yards will be maintained in its present form.

- Products coverage

The range of products currently covered by the arrangements will be maintained, but semis (73.06 and 73.07) will be excluded.

- Management of arrangements

- . Consultation clause : maintenance of provisions providing for consultations for the purposes of both the traditional mi-year review of the operation of the arrangements and the discussion of specific problems.
- . Control and sanctions : - maintenance of the providing for suspension of the arrangements as set out in the existing texts for the most serious violations;
  - maintenance of sanctions, in the case of violation of price rules, consisting either in the reduction or elimination of the margin of penetration or, where the violation persists and in the more serious cases, in exclusion from the arrangement system of the product which is the subject of price undercutting.
- . Retrospective and advance surveillance : extension for 1985. Effective collaboration by Member States, especially through more speedy transmission of statistics and the regular and prompt despatch of infringement files, would enable the Commission to strengthen the efficiency of the clause contained in the arrangements.

2. In order to maintain the more stringent management and surveillance established in 1984, the Commission proposes to keep unchanged for 1985 the means of action introduced in 1984, which aimed at strengthening the system then in force.

A. Basic prices

The Commission will continue to apply the stiffened surveillance on iron and steel products imported from third countries subject to basic prices, and will see to it that a speedy examination is made of complaints submitted by the Community industry.

B. Arrangements

- The Commission will maintain the mechanism introduced in 1984 to avoid violations of the triple clause (staggering, geographical distribution, breakdown by product) by the arrangement countries.

- The Commission will extend for 1985 the recommendation 161/84/ECSC establishing an advance surveillance (i.e. on licences) and decision 162/84/ECSC establishing retrospective surveillance (i.e. on actual imports).

3. Procedure

The negotiations with the partner countries will be conducted by the Commission following agreement with the Member States in the Steel Liaison Committee. Before the negotiations are concluded, the text of the arrangements will be submitted to the competent authorities of the Council at the same time as the request for assent to prohibition of alignment.

### III. Summary of Commission proposals

- In keeping with the OECD declaration the Commission will propose that certain countries which export steel to the Community conclude bilateral arrangements with the Community entailing discipline on prices so as not to disturb the Community market. At the same time assurances will be given concerning the maintenance of traditional trade flows, but taking into account both the evolution in demand foreseen for 1985 and the anti-crisis measures which have been implemented under Article 58 of the ECSC Treaty.
- The Commission proposes that the other measures set out in Section II of the document be approved.
- The Commission will separately submit its proposals on the quantitative aspects of the arrangements with the partner countries for which figures are to be agreed.
- The Commission will report regularly on the negotiations to the Steel Liaison Committee; this Committee will deliberate on all matters with a view to finding appropriate solutions.
- Problems for which no solution can be found within the Liaison Committee will be referred to the Permanent Representatives Committee.
- The Commission will present the text of the arrangements to the Council before arrangements are concluded.