

COMMISSION OF THE EUROPEAN COMMUNITIES

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STEEL POLICY : SHORT-TERM MEASURES

(Communication from the Commission to the Council)

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COMMISSION COMMUNICATION TO COUNCIL

STEEL POLICY: SHORT-TERM MEASURES

I. SITUATION

1. The present state of the steel market is gravely disquieting, especially as regards flat products and heavy sections, which are mostly produced by integrated undertakings.

The prices of these have been plummeting in the second half-year. At the informal meeting of Industry Ministers at Elsinore in the autumn of 1982 the Commission in agreement with the Governments concluded that the restructuring of the steel sector throughout the Community was bound to cause dire trouble unless the steelmakers could count on steady earnings. In agreement with the Governments, the steelmakers and the steel consumers, it worked out a set of measures to reinforce the system of production quotas, and instituted guide prices.

The guide prices for hot-rolled coils, a major product which is the reference basis for practically all steel production, currently stand at 380 Ecus. Although the list prices are close to these, the prices actually being charged are somewhere around 280 Ecus and still falling: the implications of this parlous state of affairs for the steelmakers are such that they are tempted to recoup lack of earnings by increasing production, which is aggravating the downward movement in prices still further.

2. The ECSC Treaty requires the Commission to act in a situation where there is a definite risk that the Member States no longer have the will to overcome their difficulties and the problems of the market in the framework of a Community policy.

The Commission is accordingly once again doing its duty, by strengthening the Community market organization measures, more particularly by the introduction of minimum prices and more efficient management of trade in steel products within the Community and with third countries. It realizes, however, that to take these steps it is necessary to restore the indispensable climate of cooperation and consensus between the Commission, the Governments and the industrialists.

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II. MARKET ORGANIZATION

1. First of all, compliance as regards prices involves due compliance as regards tonnages marketed. In this connection it is vital that the Member States take part more actively in the quarterly assessment of the steel market. The Commission would also stress that the Council's assent is needed as soon as possible to the extension of the quota system under Article 58 ECSC up to the end of 1985 on the basis of the existing system, in accordance with its (the Council's) pledge of 25 July.

The Commission would again emphasize that any uncertainty as to the Council's political will to extend the application of Article 58 would have disastrous consequences for the price level.

The Commission is preparing a speedy updating of the General Objectives for steel issued in March 1983. This will show that the situation has worsened further in relation to the scenario then envisaged.

2. It remains the Commission's aim that, with the cooperation of the steelmakers and the Governments, the guide prices should be the prices actually charged. This is a must if the undertakings are to earn the necessary funds to put into the restructuring that has to be effected.

But in the present situation of lack of confidence on the part of the producers the price slide demands immediate Commission action. The Commission has therefore decided to impose minimum prices for flat products from 1 December 1983, that is, prices transactions below which will be liable to disciplinary action. Such a decision can be meaningful only if effectively organized, and effectiveness requires management arrangements in which the Member States are involved.

The Commission is requesting that undertakings lodge with the Member States at the end of each month a security of 45 Ecus per tonne of flat products sold by them during that month on the Community internal market, to be refunded to them by the Member State at the end of the following month. Should an undertaking be liable to disciplinary action by the Commission, either for undercutting or for overproduction, the Member State responsible would at the Commission's request withhold from the refund a sum equal to the Commission's minimum estimate of the fine for the alleged offence, until such time as the Commission made its final ruling. Where the Commission decided not to take disciplinary action against the undertaking, the portion withheld would of course be released forthwith.

This method would speed up the at present very cumbersome procedures for recovering fines, and thus have a deterrent effect.

Basing itself on the minimum-price and quota data, the Commission would make a critical analysis of the accounts of the undertakings concerned.

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3. For the system to work effectively it is also necessary to ensure better price monitoring, by simple means not involving extra bureaucratic complications. To this end the Commission wants there to be arrangements for checking invoices and payment for flat products independently of the undertakings. The details would be worked out between it and the undertakings, but it wants the system to be operational from 1 January 1984 and to enable it to assemble all information that could be of help to it in its work of acting as watchdog on compliance with Community rules.

In view of the special situation as regards heavy sections, the Commission plans that there should be similar arrangements for them in the matter both of minimum prices and of monitoring.

4. Relations are at present strained between the steelmakers and the Member States, owing to apprehensions lest significant changes in market shares take place under cover of the Article 58 system.

(a) In the Commission's view Article 58 must not give scope for, let alone assistance to, upheavals in intra-Community trade. Even then alive to the problem, it proposed at the Elsinore meeting steps to make the system more transparent. Action mooted since then has included monitoring of dealers, proposed in December 1982, which owing to objections by some Member States did not become operative. Another system, including the introduction of accompanying certificates, was proposed at the beginning of the year. Discussion is still going on in the Council machinery despite the Council's own decision on 25 July to reach a speedy conclusion on the matter. In point of fact the implementation of the relevant decision hinges directly on when the Council gives its assent. It is imperative that that assent should be forthcoming soon for the decision the Commission will be taking to come into effect on 1 December 1983.

(b) The introduction of accompanying certificates is now clearly necessary, in the first instance to monitor the level of imports from third countries and check that they are in line with traditional trade; in addition the certificates will show up deflections of trade within the Community, and any appreciable alterations in sales, which the quota system, in contrast, is calculated to stabilize. Should such an alteration emerge, the Member State concerned could report it to the Commission, which after consulting, in particular, the Governments directly involved would weigh up whether steps should be taken under Article 58 with regard to Community producers' sales.

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Accompanying certificates are thus vital to the transparency everyone wants to see: they will prevent misunderstandings between Member States and temptations to go it alone. So when a consignment crossing a frontier is discovered to be minus certificate, the result will be a fine, which if the producer concerned cannot produce the certificate subsequently will be comparable to the fine payable for exceeding production quotas.

(c) The Commission also plans to step up its consultations with the Governments and producers to frame measures for better monitoring of seconds and substandard products within the Community.

5. The Commission, after consulting the circles concerned, will at the end of the first quarter of 1984 consider with the Council the results achieved by the above measures. While keeping to its aims, it will take due account of the experience gained in the process and will expand, clarify or amend its proposals if appropriate.

III. RELATIONS WITH THIRD COUNTRIES

For 1984 the Commission has made clearly spelt-out proposals to the Member States in order to make sure that the management of agreements with third countries is in line with the aims laid down by the Council. The Council is to decide on 28 November on the task it will assign the Commission.

The aims are:

- . the preservation of traditional trade flows taking account of the foreseeable movement of steel consumption within the Community;
- . the necessary solidarity among the Member States, i.e. first and foremost strict observance of the "triple clause" providing for adherence to traditional flows to Member States, allocation as among categories of products and spreading over a period of time;
- . the ability to act promptly in the event of breaches of agreements, more particularly in such cases of deflection as may be detected by means of the accompanying certificates. This necessitates prompter forwarding of statistical data by national authorities.

The Commission will inform the third countries of the minimum prices and the obligations arising with respect to them.

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It will also be holding a meeting with experts from the Member States at an early date to see what can be done to check more effectively on the torrent of products entering the Community designated, often improperly, as substandards or seconds, and so evading the price rules in force. When, as frequently happens, the Commission does not receive the particulars that could alert it to possible fraud until the material in question has already been processed, it is too late to do any checking. Better monitoring of these products can certainly be secured under the present policy following the planned consultations. As soon as the national authorities have made their views known on the matter, the Commission after consulting the quarters concerned will make the necessary proposals.

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IV. The Commission regrets the necessity to take this action and to request the Council to pronounce by 1 December.

It has, however, no option: the seriousness of the situation demands quick decisions, but it is apparent that success requires the restoration of a climate of confidence and greater cooperation by the Governments and steelmakers.

Only if these are forthcoming will the Commission be able to get prices steadied, and so play its part in bringing about the vitally necessary restructuring measures that are its basic aim.