

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 530 final

Brussels, 12th November 1980

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

EXTERNAL ASPECTS OF TRADE IN STEEL

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Subject: External aspects of trade in steel

1. It is necessary to extend the current Community measures in foreign trade in steel to 1981. On 31 October 1980, the Council gave its agreement to the Commission's communication of 6 October 1980 on the application of Article 58 of the E.C.S.C. Treaty, in particular to point IV, C.2 of that communication, under which it was stated that the new Arrangements on steel trade should remain in general similar to those for 1980, with the reserve that the new quantities fixed in the Arrangements should be reduced from their 1980 levels to take into account reduced consumption within the Community. The guiding principle for the Community must be that of fair burden-sharing. On the one hand, it must be made clear to Community producers that they will not be subject to an unfavourable treatment compared with third-country suppliers of the Community market; on the other hand, it is necessary not to discriminate in such a way that imports from third countries would be detrimentally affected. By avoiding such discrimination, a better understanding of the Community's position on the part of our traditional suppliers could be expected.

2. Basic prices

In conformity with its communication of 7 October 1980 to the Council on the anti-crisis measures in steel, the Commission published the new set of basic prices on 1 November 1980. These have been raised, for certain products, according to increases in production costs. In 1981, the Commission will exercise a stricter control on the prices of those imports subject to basic prices.

3. Steel Arrangements

The existing Arrangements are based on uniform principles, but are adapted, in form and more specifically in their quantity provisions, according to the particular relationships that exist between the Community and its partner countries. This cannot and must not be changed.

The main provisions of the Arrangements should equally be continued without change for 1981. The following are the essential features:

- An obligation to respect the price provisions.
- Community producers are forbidden to align their prices on prices offered by Arrangement countries.
- Quantity provisions.
- The maintenance of traditional trade flows while respecting a spacing of exports in time; regional distribution and the product-spread of exports to the Community.
- The application of basic prices to indirect imports.

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- The exclusion from the coverage of the Arrangement of temporary imports for hire-processing on the condition that the ownership of the product does not change.
- Special provision for imports of steel for use in shipbuilding and repair-yards.
- Consultation clause.
- Suspension clause.

There is no need to renew the exchange of letters specific to Spain on first-transformation products.

It is necessary to strive to conclude Arrangements for 1981 with all those countries with whom Arrangements were concluded for 1980. Further, it would appear essential to conclude an Arrangement with South Korea, given the latter's newly-established production capacity.

Negotiations on quantitative aspects should depart from the fact that Community production in the first quarter of 1981 will be at a level about 15 % lower than that of the first quarter of 1980. The fact that production and internal consumption will be at lower than traditional levels in the second half of 1981 must also be taken into account. These developments must be mirrored in the external regime. This could be achieved by foreseeing, for 1981 as a whole, reductions corresponding to prevailing tonnages, while adding a clause allowing for consultations in mid-1981. In the course of these decisions could be made on the possible adaptation of quantities on the basis of the real development forecast for the market for the second half year.

In formulating quantity provisions, any special contractual relationships which exist between the Community and each partner country will have to be taken into account. It is thus that the Arrangements with EFTA countries have been set in the framework of the Free Trade Agreements. The Arrangements with the EFTA countries and with Spain also foresee reciprocity. The provision as to consultation with these countries needs therefore to be strengthened.

The negotiations with partner countries will be conducted by the Commission in agreement with the Member States within the framework of the Steel Liaison Committee. The texts of the Arrangements will be submitted, before signature, to the Committee of Permanent Representatives, more particularly to obtain "avis conforms" on forbidding price alignments.

4. In conclusion and in the light of the above, the Commission requests the agreement of the Council to the following:

- In line with the declaration of the OECD, the Commission will propose to certain countries which export steel to the Community that, in order to avoid the creation of disturbances on the Community market, they conclude with the Community bilateral Arrangements implying a price discipline. This will only be possible if, at the same time, assurances are given on the preservation of traditional trade flows, while taking into consideration any possible reduction in consumption foreseen for 1981 as well as the anti-crises measures put into operation by the Commission.
- The Commission will report regularly to the Steel Liaison Committee on the negotiations. The Committee will deliberate on all questions arising in connection with these negotiations so that appropriate solutions may be found.
- Important questions which cannot be resolved at the level of the Steel Liaison Committee will be submitted to the Committee of Permanent Representatives.
- The Commission will submit, before conclusion, the texts of the Arrangements to the Committee of Permanent Representatives.