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DOCUMENT 1-565/80

Report

drawn up on behalf of the Committee on External
Economic Relations

on relations between the EEC and the USA in
the steel sector

Rapporteur: Mr G. MARTINET

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At the plenary sitting of 18 April 1980 the President of the European Parliament referred the motion for a resolution tabled by Mr Donnez and others on behalf of the Liberal and Democratic Group on EEC-United States relations in the field of steel (Doc. 1-92/80) to the Committee on External Economic Relations as the committee responsible.

At its meeting of 6 June 1980 the Committee on External Economic Relations appointed Mr Martinet rapporteur.

It considered the draft report at its meetings of 25 June, 1 October and 4 November and at the meeting of 4 November unanimously adopted the motion for a resolution and the explanatory statement.

Present: Sir Frederick Catherwood, chairman; Mr Martinet, rapporteur; Mr Almirante, Mr Antoniozzi, Mr Fourcade, Mr Hänsch, Mr Lenz, Lord O'Hagan, Mrs Seibel-Emmerling, Sir John Stewart-Clark, Mr Welsh.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on relations between the EEC and the USA in the steel sector

The European Parliament,

- having regard to the disturbing situation in the European steel sector,
 - having regard to the recent problems in relations between the EEC and the USA in the steel sector,
 - having regard to the motion for a resolution (Doc. 1-92/80) tabled by Mr DONNEZ and others, on behalf of the Liberal and Democratic Group,
 - having regard to the report of the Committee on External Economic Relations (Doc. 1-565/80),
1. Notes with satisfaction that the objectives which were approved by a majority of Parliament and which the Commission then took into account have largely been attained. The complaint by US Steel has been withdrawn. A new trigger price has been fixed. The American administration has thus established a situation comparable to that resulting from the 1977 OECD agreement;
 2. Notes, however, that damage has indisputably been done to the European steel industry, which may not in the near future be able to regain the market share it held in the United States before the proceedings initiated by US Steel and the provisional abandonment of the trigger price;
 3. Expresses concern at the interpretation which the American administration might apply to certain criteria relating to the initiation of 'anti-surge' proceedings and requests the Commission to keep the closest possible watch on the implementation of decisions taken by the American administration, without discarding the possibility of counter-measures in the event of further signs of protectionism.
 4. Instructs its President to forward this resolution to the Council and the Commission.

B

Explanatory Statement

1. On 21 March 1980 the US Steel Corporation brought an anti-dumping complaint before the International Trade Commission, a body which comes under the American Department of Commerce, against imports of five steel products from Community Member States. Fifteen companies were affected by these proceedings. The responsible American authorities then decided to suspend the trigger price mechanism (TPM).

2. On 18 April 1980 the European Parliament expressed its concern at the situation thus created by adopting a motion for a resolution on this problem tabled by Mr Donnez on behalf of the Liberal and Democratic Group. In this resolution the European Parliament refers to the 1977 OECD agreement between the largest industrialized countries on rationalization in the iron and steel sector and requests the committees responsible to consider and report on these problems by July 1980.

3. After the Committee on External Economic Relations had considered the problems as requested, an oral question was put to the Commission by the chairman and vice-chairmen. On 10 July 1980 a motion for a resolution signed by twelve members of the committee, representing the Socialist Group, the Group of the European People's Party, the European Democratic Group, the Liberal and Democratic Group and the Group of European Progressive Democrats, was submitted to Parliament. This text also referred to the 1977 OECD agreement, urged the Government of the United States to request US Steel to discontinue its action and to enter into negotiations with the Commission as a matter of urgency, and stressed the need to plan counter-measures should the American Government violate the provisions of GATT. Finally it requested the Commission to report on this matter to Parliament at its September part-session.

4. In July Mr Davignon, speaking on behalf of the Commission, undertook to do his utmost to seek arrangements which would preserve the European industry's capacity for export to the United States. Although the Commissioner deliberately declined to give his views on any specific formula, it was clear that the objectives in mind were the withdrawal of the complaint by US Steel, the restoration of the trigger price system and a return to the situation established by the 1977 agreement. During talks with the American authorities, which took place in the summer, Mr Davignon mentioned the risk of a 'trade war' which continuation of the anti-dumping proceedings initiated by US Steel would involve. The debate on the steel question was not, however, directly linked to legitimate complaints to which the American's behaviour in other sectors, particularly that of synthetic fibres, is bound to give rise.

5. The American decision was finally taken on 30 September 1980. On that date Mr Reuben O'D. Askew wrote a letter to Mr Davignon informing him of the withdrawal of US Steel's complaint, of the 'provisional' establishment of a new trigger price some 12% higher than the old price and of the creation of a procedure enabling this new trigger price to be suspended should steel imports exceed 15.2% of the American market and should the American steel industry as a whole be working at less than 87% of capacity. In that event the Department of Commerce could

- (a) deem there to be a surge of steel imports and
- (b) having contacted the governments concerned and ascertained that the surge was continuing, initiate anti-dumping and anti-subsidy proceedings on the grounds of unfair competition. For its part the American industry reserves the right to lodge complaints in the absence of the conditions laid down by the administration but accordingly runs the risk of suspension of the trigger price system.

6. Thus at first sight the situation prevailing in 1977 at the time of the OECD agreement appears to have been restored. The 12% increase in the trigger price roughly corresponds to price increases since the old price was fixed; the market share of 15.2%, beyond which anti-surge proceedings would be initiated, represents the average of foreign imports to the United States over the past 10 years (12.4% in 1973 - 17.8% in 1977).

7. However, it must be remembered that since March 1977 the European industry has suffered serious harm as a result of suspension of the trigger price system and of the threats to its exports from the proceedings initiated by US Steel. While the decline of our sales on the American market is no doubt in part a reflection of the general economic downturn it is also directly linked to the anti-dumping proceedings taken by a company which was in serious difficulties and was anxious to obtain a number of concessions from the American administration (which it has in fact gained, particularly as regards anti-pollution measures). Nor should it be forgotten that the 15.2% share of the American market that is open to foreign imports without setting off the alarm for anti-surge proceedings affects the Canadian, Japanese, Brazilian, Mexican and Korean industries as well as our own, which must now endeavour to regain the ground it has lost to its competitors since the spring.

Much depends on the actual price levels of the American companies, which are obviously not obliged to keep to the 12% trigger price increase, a fact which suggests that the previous economic situation will not automatically be restored by the American decision.

8. Finally, attention should be drawn to the unilateral nature of this decision. Although talks were certainly held with Commission representatives, whose viewpoint was taken into consideration, in the event the American administration did no more than inform Mr Davignon of the measures it had taken. The reply which the Commissioner for Industrial Affairs addressed to Mr Reuben O'D. Askew contains a number of comments and ideas but does not constitute a diplomatic document, although it did enable Mr Davignon to express his concern at the interpretation which the American administration might apply to certain criteria relating to the initiation of 'anti-surge' proceedings, such as 'apparent domestic consumption' and 'capacity utilization'. There is in fact a risk that our imports will be the subject of constant anti-surge investigations.

MOTION FOR A RESOLUTION (DOCUMENT 1-92/80)

tabled by Mr DONNEZ, Mr BANGEMANN, Mrs PRUVOT, Mr HAAGERUP, Mrs SCRIVENER, Mr CALVEZ, Mr REY, Mr ROSSI, Mr BERKHOUWER, Mr IRMER, Mrs von ALEMANN, Mr COMBE, Mr CECOVINI, Mr SABLE, Mr CAILLAVET, Mr PONIATOWSKI, Mr BAUDIS, Mrs MARTIN, Mrs NIELSEN, Mr DELATTE and Mr GALLAND

on behalf of the Liberal and Democratic Group

with request for urgent debate
pursuant to Rule 14 of the Rules of Procedure

on EEC-United States relations in the field of steel

The European Parliament,

- recalling the consensus which emerged in the OECD in 1977 whereby the main industrialized countries recognized the efforts to improve the position of the iron and steel industry and the sacrifices involved should be shared fairly by the international community as a whole and that any measures to assist restructuring should not be threatened by any action likely to jeopardize the traditional patterns of trade in steel,
 - noting with the greatest anxiety that the anti-dumping proceedings brought against the steel producers of seven European countries and the consequent suspension of the system of trigger prices seriously call into question this consensus,
 - stressing the fact that the suspension of the trigger prices will not help European sales but may on the contrary encourage certain third countries with a less responsible attitude to increase further their share of the American market,
 - pointing out that this measure comes at a time when European exports of steel to the United States in 1979 fell by almost 1 million tonnes,
 - aware of the implications for the jobs of tens of thousands of European steel workers of any threat to the existing arrangements for American imports of European steel products,
1. Notes that the Commission has protested, on behalf of the Community, at this failure to observe the consensus adopted in 1977 in the OECD in the interests of all the steel-producing countries:

2. Requests the Commission to make every effort to ensure that this consensus is respected and that a solution is found as soon as possible through negotiations with the American administration;
3. Instructs its committees responsible to draw up an exhaustive report before July 1980;
4. Instructs its President to forward this resolution to the Council and Commission.