

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 666 final

Brussels, 13th October 1982

COMMISSION COMMUNICATION TO THE COUNCIL

on the conclusion of the Arrangement on Steel
with the United States of America

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Commission communication on the Arrangement on Steel with the
United States of America

1. As it had undertaken to do, the Department of Commerce has urged US industry to accept the Arrangement negotiated at the beginning of August as forming a fair basis for a negotiated settlement of the current petitions against imports of steel from the Community; the Commission for its part has carried out a parallel exercise.

After initially taking a negative stance, United States steel circles have now indicated to the Department of Commerce that they are prepared to reconsider and withdraw the petitions, provided that certain adjustments are made to the Arrangement. Without going back for one moment on the agreement reached on 6 August, the Department of Commerce has informed the Commission of the stance taken by the United States steel industry.

The Commission propose that the amended Arrangement be approved.

The adjustments to the original Arrangement consist in:

- (a) The inclusion of alloy steel¹ in the categories "hot-rolled sheet and strip", "cold-rolled sheet", "structurals", "plate" and "hot-rolled bars" - which were limited in the Arrangement of 6 August to carbon steel - and the inclusion under "coated sheet" of all "alloy-coated sheet" and "terne sheet and plate".

The market share of alloy steel and, in the case of coated sheet, alloy-coated and terne and sheet plate to be added to these categories is the share the Community had in 1981 - without any reduction. Taking that year as the base does not prejudice our interests since our 1981 exports of the two main items, alloy bars and alloy plate, were higher than those of previous years.

¹NB: excluding tool steel.

The Community's market share of carbon steel included in the above categories remains as stipulated in the Arrangement as far as hot-rolled sheet (7.43%), cold-rolled sheet (5.15%), plates (5.98%), structurals (10.90%) and coated sheet (3.32%) are concerned.

For hot-rolled carbon bars it becomes 2.6% instead of the 3.01% in the Arrangement, which is the only reduction in relation to what was agreed in August.

In 1981 imports from the Community of the newly included products were:

	<u>net tons</u>	<u>EC market share</u>
Hot-rolled alloy sheet and strip	2 679	0.2%
Cold-rolled alloy sheet	657	0.5%
Alloy plate	35 198	2.32%
Alloy structurals	7 177	1.1%
Hot-rolled alloy bars	48 943	1.98%
Alloy-coated sheet and terne sheet and plate	180	0.11%

(b) The addition of sheet piling, at the 1981 level, to the products covered.

In 1981 imports of these products from the Community amounted to 81 499 t, accounting for 21.85% of the United States market.

2. To sum up, these adjustments mean:

an increase of 4.20% - on the basis of 1981 import figures equivalent to 173 333 net tons - in the volume of products covered by the Arrangement of 6 August;

a reduction in the Community's market share for one product - hot-rolled carbon bars.

The market share for all newly included products is the share the Community had in 1981, which is a higher level than that adopted as the reference for the Arrangement of 6 August.

If consumption were to remain at the 1981 level, the overall reduction for the products covered would be about 8% compared with 1981.

3. New proposal

	%
Hot-rolled sheet and strip	6.81
Cold-rolled sheet	5.11
Plate	5.36
Structural shapes	9.91
Hot-rolled bars	2.38
Rail	8.90
Tin plate	2.20
Wire rods	4.29
Coated sheet	3.27
Sheet piling	21.85
Stainless steel sheet, strip and plate	4.08

4. The provisions for consultations are as follows:

"Consultations shall be held at any time at the request of either the EC or the US, to discuss any matters, including trends in the importation of steel products, which impair or threaten to impair the attainment of the objectives of this Arrangement.

In particular, consultations will be held in the event that imports from the EC of covered alloy products and of products not covered by the Arrangement show a significant increase indicating the possibility of diversion of trade from carbon to alloy products or from the categories covered in the Arrangement to those not covered. Should these consultations demonstrate that there has indeed been a diversion of trade which is such as to impair the attainment of the objectives of the Arrangement, then within sixty days both sides will take the necessary measures with respect to the products concerned in order to prevent such diversion, including the creation of separate categories under the Arrangement for alloy products at 1981 levels.

Consultations will also be held if there are indications that imports from third countries are replacing EC imports. "

ALLOCATION OF QUOTAS AMONG MEMBER STATES

I. In order to obtain sufficient information to be able to allocate quotas among the Member States, the Commission first contacted the producers via their professional organization EUROFER (or direct, in the case of non-members). All the exporters consulted provided the Commission with the data on their exports to the United States over the last few years.

II. In view of the inevitable fluctuations in companies' exports it was necessary to compare the results over quite a long period, and the Commission's initial approach was to take as a basis for a fair allocation of Community quotas for each product the average relative share of each exporter over the years 1977-81.

III. When industry was consulted allocation on this basis was found to be acceptable for most products covered by the Arrangement as agreed upon in August. The Commission dealt with sheet piling, which has been added to the product categories, in the same way.

IV. Regarding the first five product categories, although the level of exports under the Arrangement was not such that the Commission was able to work out an allocation acceptable to all exporters, the difference between that level and the one that would have enabled agreement to be reached was found to be minimal.

Given that these tonnages¹ account for such a small percentage of the total, the Commission felt it was possible to draw up a proposal which, while not prejudicing a Community approach, took into account the consequences of not having an agreement with the United States.

V. The changes in the products covered in the different categories by comparison with the August arrangement do not, given the information to hand, alter the principles followed in deciding on burden-sharing.

VI. In implementation of the above principles, the Member States' quotas for each product in relation to the total quantities to be allocated to them under Article 3 of the decision implementing the Arrangement are shown in the annex.

¹ Assuming that United States consumption is comparable to that of 1981, we are dealing here with less than 4 000 t per month (out of a total of some 270 000 t per month), or less than 1.5% for all five products.

**PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES**

HOT-ROLLED SHEET AND STRIP

D	F	I	NL	B	L	UK	GR	D	IRL
33,06	32,98	8,81	19,96	3,75	0,56	0,88	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES

COLD-ROLLED SHEET

D	F	I	NL	B	L	UK	GR	D	IRL
43,29	15,98	9,60	16,21	8,99	0,27	2,37	3,29	-	-

**PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES**

PLATE

D	F	I	NL	B	L	UK	GR	D	IRL
22,52	2,80	11,25	1,01	51,47	-	10,95	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES

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STRUCTURALS

D	F	I	NL	B	L	UK	GR	D	IRL
22,41	11,18	0,52	-	25,05	17,99	22,85	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
 AMONG MEMBER STATES

COATED SHEET

D	F	I	NL	B	L	UK	GR	D	IRL
56,89	23,38	8,71	4,16	3,89	0,43	2,54	-	-	-

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PERCENTAGE BREAKDOWN OF QUOTAS
ALONG MEMBER STATES

WIRE RODS

D	F	I	NL	B	L	UK	GR	D	IRL
15,63	47,85	0,01	1,29	8,44	0,03	26,75	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
 AMONG MEMBER STATES

HOT-ROLLED BARS

D	F	I	NL	B	L	UK	GR	D	IRL
8,76	6,65	1,99	-	27,48	22,96	32,16	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES

TIN PLATE

D	F	I	NL	B	L	UK	GR	I	IRL
54,28	27,91	-	12,94	4,03	-	0,84	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
 AMONG MEMBER STATES

RAILS

D	F	I	NL	B	L	UK	GR	D	IRL
61,26	15,03	-	-	-	17,09	6,62	-	-	-

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PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES

STAINLESS STEEL SHEET, STRIP AND PLATE

D	F	I	NL	B	L	UK	GR	I	IRL
37,20	40,20	1	-	5,1	-	16,5	-	-	-

PERCENTAGE BREAKDOWN OF QUOTAS
AMONG MEMBER STATES

SHEET PILING

D	F	I	NL	B	L	UK	GR	D	IRL
27,6	25,1	-	-	-	30,7	16,6	-	-	-

CRITERIA FOR THE ISSUE OF LICENCES BY THE MEMBER STATES

- I. In issuing to exporting firms licences for export to the United States the Member States must follow the principles that guided the Commission in allocating quotas among the Member States; this will mean that firms in comparable positions vis-à-vis the United States over the 1977-81 period will be able to continue exporting much the same quantities during the life of the Arrangement.

- II. In order to ensure that the provisions of competition law are adhered to at both Community and Member-State level, the criteria for the issue of licences must be not only clear but drawn up in such a way as to limit the Member States' discretionary powers as far as possible.

- III. However, it is essential that new export opportunities for firms, particularly those which have invested recently in order to be able to fulfil contracts or supply expanding markets in the United States, should not be systematically ignored. This is why the Member States should make sure that traditional export flows are kept up while keeping open the possibility of coping with requests from any new exporters.

- IV. If these criteria are combined, it should be possible to make optimum use of the export opportunities offered under the Decision while keeping to the rules it lays down, notably on the phasing of exports. To this end, the Member States are to make sure that they phase their exports in the traditional way, taking account of seasonal fluctuations, in order to prevent surges over a short period.

- V. In application of the principles set out above, the Commission proposes to word Article 5(2) of the Decision implementing the Arrangement as follows:

"Article 5

. . .

2. Licences shall be issued in accordance with the following criteria:

- the rules laid down in this Decision shall be adhered to, notably that on the quota allocated by the Commission under Article 3;
- the traditional export flows of undertakings over the 1977-81 period shall be maintained, account being taken of the reduction principles set out in this Decision;
- the traditional phasing throughout the year of export flows to the United States shall be maintained;
- the export opportunities offered by this Decision shall be utilized as fully as possible and administered as efficiently as possible;
- due regard shall be had to the possibilities offered under Article 4 of this Decision;
- optimum use shall be made of any new opportunities that may result from this Decision."

ADMINISTRATION OF THE ARRANGEMENT

Administration of the Arrangement will require a good deal of work. The Commission cannot call upon outside experts; given the confidential nature of the trade data to be provided by firms the Commission has undertaken to treat the information, which is essential for the purposes of administering the Arrangement, in such a way as to rule out the possibility of leaks.

It must be pointed out that the United States Department of Commerce has a permanent staff of over 300 civil servants engaged in the administration and supervision of the different trade arrangements.

The Commission will have to have additional staff to cope with administration of the Arrangement in the following areas:

- (i) monitoring the Arrangement (administration of the licences to be issued for each quarter by the Member States, licences requested by firms, issued, transferred or exchanged, used in part or in toto): 1 A-grade official, 2 B-grade officials and 1 C-grade official (clerical officer);
- (ii) running the committee set up under the Arrangement (discussions with the Member States on the use of the quotas allocated, administration and allocation of the Community reserve): 1 A-grade official and 1 B-grade official;
- (iii) contacts with the United States (shipments in relation to deliveries, forecasts of United States consumption and, more generally, all problems of interpretation of the Arrangement): 1 A-grade official;
- (iv) support staff for the entire operation:
2 C-grade posts (secretaries).

The Commission proposes that the Council

- (i) take note of the need for the Commission to have the following additional posts made available to it in order to administer the Arrangement:

- 3 A-grade posts

- 3 B-grade posts

- 3 C-grade posts (including 1 clerical officer)

and

- (ii) agree to provision being made in the 1983 budget for the staff in question.