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REPORT FROM THE COMMISSION TO THE COUNCIL

on the extension of Annex I to the ECSC Treaty

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I. SUBJECT

In its communication COM(82) 850 final of 9 December 1982, the Commission proposed that the Council should include the following two products in Annex I to the ECSC Treaty:

- cold-rolled sheet, in coil or cut lengths, with a thickness of 3 mm or more;
- cold-rolled strip produced by slitting cold-rolled sheet, in coils, with a width of 500 mm maximum.

On 21 February 1983, pursuant to Article 81 of the ECSC Treaty, the Council unanimately approved the extension of Annex I to that Treaty to include the first of these products. The proposal relating to the second product did not receive unanimous Council approval. The Commission had already stated - at the Council meeting of 25 January 1983 - that it would in due course submit an amended proposal which would exclude producers other than those already covered by the ECSC Treaty.

It also announced in the above-mentioned communication that it would examine the advisability of including the following products in Annex I and that it would submit a report on the results of this study to the Council:

- stainless cold-drawn bars,
- forged bars and sections from high-speed and tool steels,
- drawn bars and sections from high-speed and tool steels,
- drawn wire,
- cold-rolled strip produced by slitting cold-rolled coils.
- standard cold-rolled strip.

The present report summarizes the results of the study, which was based on a series of consultations with the manufacturers of these products.

II. THE SITUATION IN RESPECT OF THE VARIOUS PRODUCTS

1. Cold-rolled strip produced by slitting cold-rolled coils (so-called slit strip) and standard cold-rolled strip

Slit strip is produced by slitting cold-rolled coils (*). "Standard cold-rolled strip" is hoop and strip cold-rolled on a special mill, the initial product being, as a rule, hot-rolled hoop and strip and, in recent times, also strip obtained by slitting hot-rolled coils.

The two products (slit strip and standard cold-rolled strip) are very similar and can be used in some cases instead of hot-rolled hoop and strip (**), a product covered by the ECSC Treaty.

The producers of cold-rolled coils (500 mm or more in width) hardly slit tonnages in ordinary qualities. This is generally done by Service Centres and by small and medium-sized independent cold rolling mills, where these exist. "Standard cold-rolled strip" is manufactured by both ECSC producers and independent cold-rolling mills. The latter, which are mostly found in Germany and Italy, mainly produce standard strip in tonnage qualities. German, Belgian and Italian manufacturers of standard cold-rolled strip or slit strip in tonnage qualities, who are not ECSC producers were opposed to the inclusion of these products in the Annex.

The Commission also examined the possibility of including standard cold-rolled strip and slit strip in stainless qualities.

(*) Coils means rolled products in the form of rolls of any thickness with a minimum width of 500 mm (ECSC product).

(**) Hot-rolled hoop and strip means hot-rolled product in straight strips or coil having sheared and unsheared edges and a maximum width and thickness of 500 mm and 6 mm respectively (ECSC product).

Standard cold-rolled strip is manufactured in stainless qualities by only a few non-ECSC undertakings, generally very small ones (*). Like the ECSC producers, these independent manufacturers were in favour of including this product in these qualities in Annex I to the ECSC Treaty.

Slit strip is generally only manufactured in stainless qualities by ECSC producers and a few specialized Service Centres. These enterprises recommended the inclusion of stainless slit strip in the ECSC Treaty.

2. Drawn wire

Drawn wire is manufactured by both ECSC and independent producers. Only the independent manufacturers and ECSC producers in France, (where the latter account for a greater proportion of the total number of producers) called for the inclusion of drawn wire in the ECSC Treaty. ECSC producers in the UK supported this request, although independent undertakings did not express an opinion. Manufacturers (both independent and ECSC producers) in Belgium, the Netherlands and Luxemburg, as well as in Germany and Italy (which have a high proportion of independent producers) were opposed to the inclusion of drawn wire in the ECSC Treaty.

3. Drawn and forged bars and sections from high-speed and tool steels

At the the request of the producers concerned, the Commission confined its examination of the advisability of including drawn and forged bars and sections (**) in the ECSC Treaty to high-speed and tool qualities, since

(*) There are fewer than ten independent cold-rolling mills producing stainless qualities in Belgium, Germany, UK, Italy and France.

(**) Although drawn and forged bars and sections differ from hot-rolled bars and sections as regards the manufacturing procedure, which involves a further processing step, and in qualities, they are virtually identical in appearance. The fact that the ECSC products are subject to Article 60 of the Treaty, whereas there are no pricing restrictions on the other goods could lead many producers to avoid applying the measures laid down in the Treaty, particularly those relating to prices.

these constitute a high proportion of drawn and forged products.

In all the member States the traditional ECSC manufacturers of drawn products in these qualities were in favour of this inclusion in the ECSC Treaty. There are about ten manufacturers of such products in the Community who are not subject to the ECSC Treaty (in Germany, France and Italy). The only independent producer in France - who is at the same time the biggest manufacturer of these products in high-speed qualities - and the German independent undertakings were opposed to the inclusion of these products in the ECSC Treaty, although the latter qualified their opposition by saying that they would be prepared to review their position if that was the only obstacle to inclusion.

The producers adopt a similar position as regards forged products, although in this case the number of undertakings not subject to the ECSC Treaty is greater. The inclusion of these products in the ECSC Treaty was opposed only by the German independent undertakings which, however, account for more than 50% of the total number of undertakings in this sector in Germany.

4. Stainless cold-drawn bars

All ECSC producers of stainless cold-drawn bars were in favour of the inclusion of this product in the ECSC Treaty. On the other hand, manufacturers of this product who are not subject to the ECSC Treaty were opposed to its inclusion. Although there are not many independent undertakings, they account for a considerable share of the market (e.g. 70% of the Italian market).

III. OBSERVATIONS ON THE ADAPTATION OF ANNEX I TO THE
ECSC TREATY TO TECHNICAL AND ECONOMIC DEVELOPMENTS

During the earlier discussions on the advisability of extending Annex I of the ECSC Treaty, the Commission constantly stressed that it was aware of the balance between the ECSC and EEC Treaties and had no intention of proposing the inclusion in the ECSC Treaty of products which, for commercial reasons that still hold true, had not knowingly been included in the first place. Nor, in the Commission's opinion, is it desirable to amend the ECSC Treaty for purely economic reasons.

In the present circumstances, the Commission does not therefore see any point in proposing to the Council the inclusion in the ECSC Treaty of a number of products suggested by various delegations within the Council which are clearly not steel products as such. On the other hand, it seems only logical that the Council should take account of factors relating to technical developments. There are a number of products which were not originally included in the ECSC Treaty since they were not then, as they are now, standard production. These are true, steel products which are made, in most cases, by traditional steel manufacturers and are in direct competition with a number of products covered by the ECSC Treaty. The permanent exclusion of these products from the Treaty would give rise to discrimination.

This being so, should the Council decide to include these products, it would remain within the original spirit of the Treaty. Their inclusion would lead neither to any structural disruption nor to a distortion of the market in these products, but would, on the contrary, simply reflect normal economic trends.

By making the proposals set out below, the Commission does not consider that it has found a permanent solution to all present or future problems relating to technical and economic development. In the circumstances, however, the Commission feels that it would not be reasonable to propose any more than is absolutely necessary in order to restore the balance consistent with the spirit of the Treaty.

IV. CONCLUSION

The Commission hereby proposes that the Council include the following new products in Annex I to the ECSC Treaty, pursuant to the provisions of Article 81 :

- strip produced by slitting cold-rolled coils, and hoop and strip cold-rolled on a special mill (of a width not exceeding 500 mm) in stainless qualities;

- drawn and forged bars and sections in high-speed and tool steels.