

EUROPEAN ECONOMIC COMMUNITY • EUROPEAN COAL AND STEEL COMMUNITY • EUROPEAN ATOMIC ENERGY COMMUNITY

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For Your Information

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ECSC HIGH AUTHORITY ISSUES THIRTEENTH ANNUAL REPORT;
STRESSES 1964 ENERGY POLICY PROTOCOL AND STEEL MARKET MEASURES

WASHINGTON, D.C., April 23 -- The 1964 activities of the High Authority of the European Coal and Steel Community focused mainly on major problems in the energy and steel sectors, according to the recently published Thirteenth General Report.

The High Authority report emphasized the adoption of the Protocol on Energy Problems and retention of corrective steel market measures as main 1964 achievements. In addition, adoption by the Six of a common negotiating position for steel in the Kennedy Round remedied to a great extent the one serious deficiency in the ECSC -- its lack of a common external tariff and a common commercial policy, the report said.

The member states agreed April 21 on a Protocol on Energy Problems, initiated by the High Authority, to counteract the changes in the Community's energy supply position. (In 1950, coal provided 74 per cent of total power needs. This proportion dropped to about 43 per cent by 1964, and coal is expected to provide only 30 per cent of power needs after 1970. Growing energy demand is being met increasingly from other sources, particularly by imported oil. The Community has thus changed from virtual self-sufficiency in energy to an increasing dependence on imports. An estimated 45.5 per cent of total consumption was provided by imported fuels in 1964.)

The energy protocol marked the first real advance toward a common market for energy, the report said. It indicated the following measures to be adopted by the future merged executive: a common commercial policy, including coal, a system of state subsidies, harmonized rules of competition, and Community consultation procedures regarding national regulations.

On the basis of the protocol, the High Authority established with the unanimous agreement of the Six a Community system of state subsidies for the ECSC coal mining industry. The French and German governments are presently consulting on proposed action for additional aid to the coal industry and the High Authority has submitted to the Council of Ministers a study on the special problems of the supply of coking coal.

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The report predicted that the coal sector in 1965 will be affected by last year's overproduction. Forecasts for 1965 suggest an additional contraction of 3 per cent in the consumption of hard coal and a continuing large increase in that of oil and natural gas.

Only 6 million metric tons (hard coal equivalent) of the 19 million ton increase in energy consumption in 1964 came from internal Community production. Net imports totaled 280 million metric tons of coal equivalent, 48 per cent of total consumption. The report predicts that the Community's dependence on imports for its energy supplies will increase.

Coal Consumption Falls

The abnormally severe winter of 1963 caused exceptionally large coal sales. However, consumption rates fell steadily in 1964, and petroleum products continued to gain ground. Power stations are the only users still needing increased amounts of coal, the report pointed out.

The drop in consumption produced a large surplus of coal in 1964. Production totaled just under 235 million metric tons, an increase of 5 million tons over the previous year. Consumption, however, decreased by 8 million metric tons to 254 million. Imports, mainly of coking coal and anthracite, remained at the same level as in 1963. Consequently, pithead stocks of hard coal rose by about 6 million metric tons compared to 9 million metric tons the year before. Imports of hard coal from third countries remained almost as high as in 1963 (the highest since the Suez crisis) at 32 million metric tons. United States coal accounted for 21.2 million of the total.

The adoption of the Protocol on Energy Problems will enable the High Authority this year to prepare its forecasts, General Objectives for Coal. The ECSC executive also plans during 1965 to frame a new set of General Objectives for Steel for 1970. Basic studies for this report are almost completed.

Steel Production Record Reached

Community crude-steel production rose in 1964 to 82.8 million metric tons. Output increased 13 per cent over the fairly stable level of 73 million metric tons registered from 1960 to 1963. The Community exported 13.9 million metric tons of steel in 1964. This figure was larger than the 12 million metric tons exported in 1963 but did not reach the 14.4 million metric ton level of 1960. The report attributed the increase over 1963 to improved world market conditions. However, the High Authority said that, as most countries' steelmaking capacity still exceeds their home requirements, there was a substantial surplus on offer in the world market, resulting in a notably low level of world prices.

The growth in steel production from 1963 to 1964 varied considerably in the different Community countries, as shown in the following table.

<u>Crude-Steel Production, 1963-64 ('000 metric tons)</u>							
	<u>Germany (F.R.)</u>	<u>France</u>	<u>Italy</u>	<u>Nether- lands</u>	<u>Belgium</u>	<u>Luxem- bourg</u>	<u>Community</u>
1963	31,597	17,554	10,157	2,342	7,525	4,032	73,206
1964	37,338	19,779	9,782	2,646	8,724	4,559	82,828
increase	+5,741	+2,225	- 375	+ 304	+1,199	+ 527	+9,622
increase (%)	+ 18.2	+ 12.7	- 3.7	+ 13	+ 15.9	+13.1	+ 13.1

Temporary Steel Measures Retained

Due to the world imbalance between supply and demand, the High Authority asked the Council of Ministers to extend to 1965 the corrective measures adopted for 1964, especially regarding commercial policy.

The High Authority's actions temporarily raising Community import duties on steel products from non-member countries to the level of 9 per cent and applying a specific duty of \$7 per metric ton on foundry pig-iron imports have helped steady the steel market, the report said.

In addition, the High Authority issued a number of exemptions permitting member countries to charge former rates on limited tonnages for one year. Exemptions granted for 1964 have been continued for 1965 with only minor changes since the High Authority considered that the circumstances in which they had been issued had not altered appreciably.

The High Authority also renewed for 1965 its January 1964 decision forbidding Community steel producers to cut prices to meet offers from the Eastern bloc. This measure, along with the decision to place quota restrictions on Eastern bloc imports, have contributed to a reasonably stable Community market, the report pointed out. The import restrictions were extended with several changes through 1965 in view of the steel market outlook at the end of 1964.

On November 11, 1964, the member states agreed on a common negotiating steel tariff of 14 per cent to enable the Community's participation in the Kennedy Round. The tariff was calculated to produce ultimate steel duties averaging 6 to 7 per cent following the proposed 50 per cent linear cut. The Community hopes that the talks will result in a lessening of the differences in tariff levels among the large producing and exporting countries, leading to a more balanced world steel market, the report said.

Iron and Steel Investments on Upswing

Planned investment in Community iron and steel industries rose in 1964 over the previous year. The value of iron and steel investment projects declared to the High Authority amounted to an estimated \$501 million compared to \$131 million in 1963. Partly responsible for this surge of investment are the planned construction of two new cooperative plants in Lorraine and changes in earlier projects for a number of Italian coastal plants. Total investment planned for the coal industry fell from \$72 million in 1963 to \$43 million in 1964.

Loans granted by the High Authority since its beginning in 1952 through December 31, 1964 totaled \$579.8 million. Of this total, \$442.3 million was allotted to industrial investment; \$103.5 million to workers' housing projects; \$24.3 million to industrial redevelopment; and \$9.7 million to workers' readaptation, technical research and miscellaneous projects.

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