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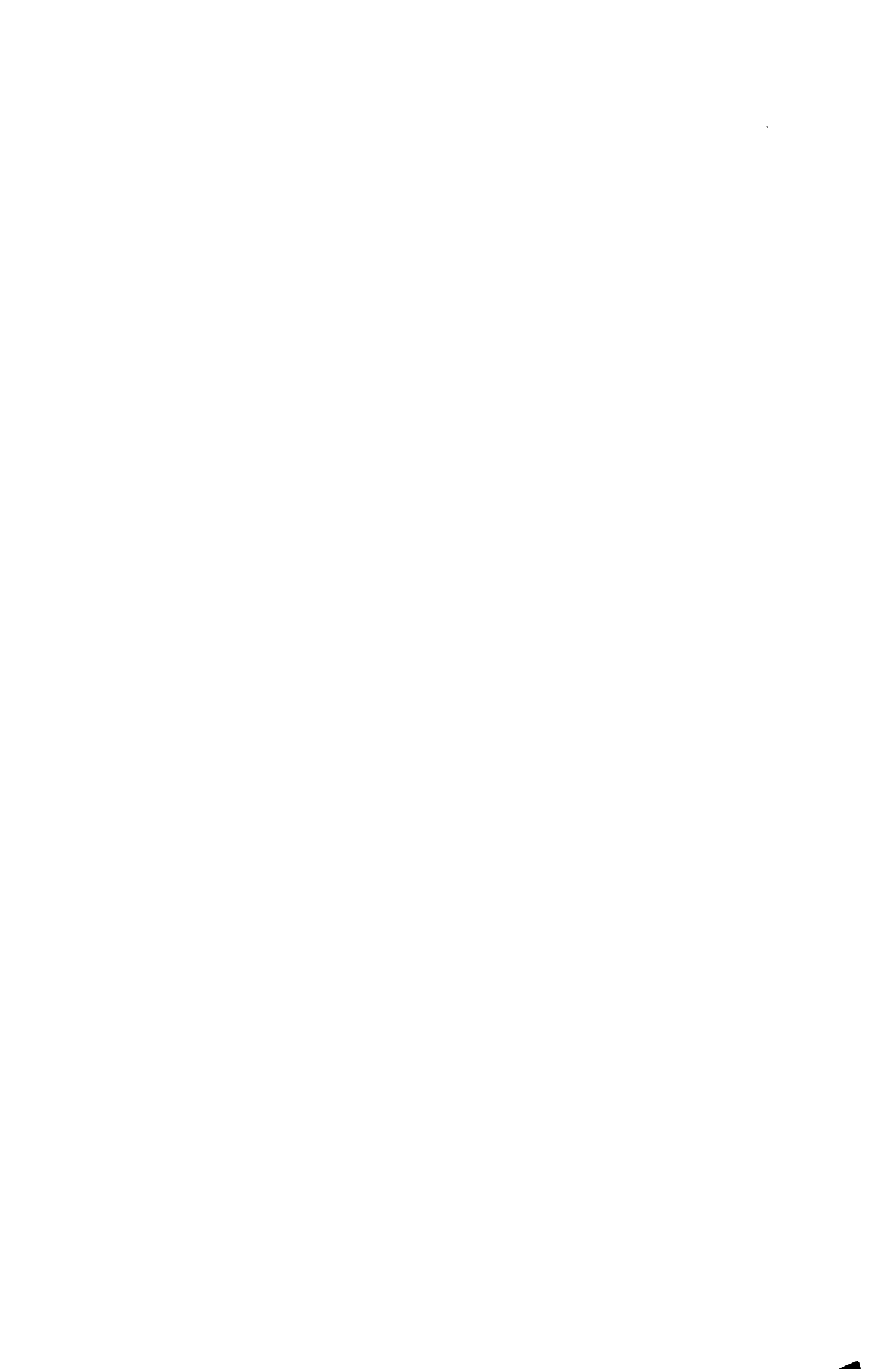
DOCUMENT 1-1543/83

## Report

drawn up on behalf of the Committee on  
External Economic Relations

on EEC-USA trade relations in the steel sector

Rapporteur: Mr T. SPENCER



At its sittings of 22 January 1982 and 13 October 1982 respectively the European Parliament referred the motions for resolutions tabled by Mr de La Malène (Doc. 1-954/81) and Mr Collins and others (Doc. 1-699/82), pursuant to Rule 47 of the Rules of Procedure, to the Committee on External Economic Relations as the committee responsible.

At its meeting of 18 October 1982 the committee decided to draw up a report on EEC-USA trade relations in the steel sector and appointed Mr Spencer rapporteur.

The committee considered the draft report at its meetings of 22 September and 2 December 1982, 27 January, 23 June, 28 September, 19 October and 24 November 1983 and 15 January, 22 February and 29 February 1984. At the last meeting it unanimously adopted the motion for a resolution as a whole.

The following took part in the vote: Sir Fred Catherwood, chairman; Mr van Aerssen, vice-chairman; Mr Spencer, rapporteur; Mrs Baduel-Glorioso, Mr Blumenfeld, Miss Hooper, Mr Jonker, Mr Pasmazoglou, Mr Radoux, Mr Rieger, Mr Rivierez and Mr Seeler.

The report was tabled on 7 March.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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

MOTION FOR A RESOLUTION

on EEC-USA trade relations in the steel sector

The European Parliament,

- having regard to the motions for resolutions tabled by Mr de la Malene and others on a European riposte to the complaint made by American steel companies (Doc. 1-954/81) and Mr Collins and others on the situation in the steel industry (Doc. 1-699/82),
  - having regard to the report of the Committee on External Economic Relations (Doc. 1-1543/83),
  - having regard to the report of the Committee on External Economic relations on the economic and trade relations between the EEC and the USA (Doc.                   ),
  - having regard to the report of the Committee on External Economic Relations on the delineation and further development of GATT and of the free trade principles underlying the GATT system and possible consequences for the EEC and the GATT (Doc. 1-493/83),
  - having regard to its resolution on combating the crisis in the European steel industry<sup>1</sup>,
  - having regard to its resolution closing the procedure for consultation of the European Parliament on the proposal from the Commission of the EC to the Council for a regulation on the strengthening of the common commercial policy with regard in particular to protection against unfair commercial practices<sup>2</sup>,
- (a) Notes that the negotiation of 1982 took place against a background of dramatic over-capacity in world steel production in which the arrival of new producers coincided with a decline in the demand for steel products.
- (b) Notes the traditional share of the US market for steel taken by European steel manufacturers and the tendency for crises in US-EC steel trade to recur despite previous attempts at ending trade frictions.

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<sup>1</sup> OJ C 161 of 20.6.1983 p.142-148

<sup>2</sup> EP plenary of 29.6.1983

- (c) Notes the tradition of state help and protectionism for the US steel industry in the first half of this century; draws attention to the impact on the competitiveness of the US steel industry of the system of inflation-proofed wage increases since 1974, which has led wage costs to rise well ahead of European and Japanese levels. Notes the link between high energy costs and interest rates and the reduction in investment which has led some companies to diversify their activities away from steel.
  - (d) Notes the recurrent link between a high level of the US dollar and the re-emergence of protectionist pressures by the US steel industry; notes the "breakdown" of the trigger price mechanism at a time when European imports into the US were rising.
  - (e) Recognises the negotiating problems faced by the European Commission when faced by the complexity of US institutions and the semi-judicial nature of US decision-making. Further recognises that such procedures place pressures above and beyond those specified under GATT rules.
1. Congratulates the European Commission on the relatively successful conclusion of difficult negotiations, and stresses the importance of maintaining a comprehensive Community position in any future negotiations.
  2. Concludes that the problems of the US steel industry cannot be blamed on the limited degree of penetration achieved by European producers, which is in line with traditional trade flows.
  3. Accepts that the level of state subsidies is a relevant factor in the conduct of international trade negotiations and calls for further work at the GATT on the question of subsidies and their definition.
  4. Stresses its support for the restructuring of the European steel industry such that it can compete without subsidies.
  5. Maintains its voluntary restraint agreements, designed to continue third country imports at traditional levels, pending a stabilisation of the world market in steel.

6. Determines to continue its consideration of so-called 'commercial defence' measures on both sides of the Atlantic, mindful of its commitment to free trade in industrial goods, and believing that European industry should not be placed at a disadvantage by the national laws and practices of our major trading partners.
  
7. Protests at the unnecessary and protectionist measures of the US Administration directed against exports of special steels from the Community.
  - Approves of the decision to respond to this American action entirely within the framework of GATT.
  
  - Recognizes that the Community tried hard to reach an agreement on compensation that would have rendered retaliatory measures unnecessary.
  
  - Notes that US consumption and production of special steels in the third quarter of 1983 had returned to traditional levels.
  
  - Endorses the package of retaliatory measures announced by the Community on 14 January 1984.
  
8. Instructs its President to forward this resolution to the Commission and Council of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION

1. Negotiations between the E.C. and the U.S. in the steel sector have been almost continuous for the last two years. They have generated much argument and much distrust. This Report seeks to document what happened, and to assess why it happened, against the background of problems facing the U.S. Steel Industry. It further seeks to draw wider conclusions about trade negotiations with America and with the Reagan Administration in particular.

II. THE U.S. STEEL INDUSTRY

2. Although the U.S. steel industry proudly maintains that the U.S. is the only large "truly open market" in the world, there is a long tradition of intimate involvement with the Federal authorities. The industry grew up behind tariff barriers against European Competition in the 19th century. It benefitted from National Recovery Act help in the Depression, and from state help during and after World War II. Every President since the war has had to face some kind of steel crisis. Strikes damaged the industry in 1946, during the Korean War and again in 1959. The Kennedy Administration intervened to influence both wages and prices in what was regarded as an industrially key industry.

3. Until 1958 the United States was a net exporter of steel. However, the rebuilding of the Japanese and European steel industries began to challenge for a share of the U.S. market as from the 1959 steel strike, when steel users diversified their sources of supply. Indeed, a pattern of rising imports became associated with each new wage negotiation. In an attempt to avoid the disruption and lack of confidence attaching to these negotiations, the Experimental Negotiating Agreement (E.N.A.) was entered into in 1974. This contained a cost of living provision that has substantially raised the cost of labour. Steelworkers' wages rose by \$4.42 per hour in the period May 1974 - February 1982, as against average U.S. wages rises of \$2.16 per hour.

4. Although only two "greenfield" mills have been completed in the U.S. since 1950, the industry has undertaken a substantial investment programme. This programme has not, however, matched the co-ordinated state-sponsored policies of its major competitors, and the last fifteen years have seen a constant stream of complaints about "imported" and "dumped" steel. In later years the two words have come to be used



interchangeably. It is now argued by some Americans that imported steels have discouraged any major further investment in steel production, and that as a result the industry is now faced with declining competitiveness.

5. Voluntary Restraint Agreements (V.R.A.'s) were negotiated with Europe and Japan in 1968 on a tonnage basis. The importers naturally, therefore, traded up and concentrated their efforts on higher-priced steels which caused considerable problems for the specialty steels sector until it won an anti-dumping case in 1975. The carbon steel industry suffered from all the problems of recession during the 1970's, demand fell, while inflation rose, as did energy prices. In 1977, after the OECD steel consensus, the Carter Administration responded to a rise in imports by imposing the Trigger Price Mechanism (T.P.M.), which established minimum prices for imported steel, below which dumping would be presumed. U.S. steel companies thereupon withdrew their dumping suits under the 1974 Trade Reform Act. The T.P.M. was linked to costs of Japanese production and did not work in practice as had been intended. The mechanisms were altered in 1980, transferring responsibility to the Department of Commerce and building in an anti-surge mechanism.

The industry has consistently mobilised major lobbying campaigns to arouse American public opinion. The Steel Caucus on Capitol Hill is vocal in support of import restrictions. In addition, the industry has called, with some success, for tax changes to encourage capital investment in the industry by allowing faster depreciation (1981 Tax Act). The industry has also pushed for a relaxation of environmental pollution standards that it regards as unduly onerous. The rigours of Anti-Trust policy have to some extent been relieved and some mergers have taken place.

6. It is worth quoting 'in extenso' from David Nelson's paper for the House of Representatives' Committee on Energy and Commerce, on one particular point. He says:- "It is arguable that the government policy which has most directly been responsible for the decline in the domestic steel industry, at least in recent years, has been high interest rates. .... (they) are rivalled only by energy shocks as a source of disruption of national and international markets. Throughout the

1970's, interest rates increased relentlessly. This has made it virtually impossible for profit-maximising firms to commit themselves to long-term capital spending projects". It is this factor which has led U.S. firms to buy oil companies and otherwise diversify, rather than to re-invest in their industry".

7. The only "European style" input of Government funds came in 1977 with the commitment of \$ 500 million of Economic Development Administration funds (E.D.A.). This proved contentious, led to problems between firms and is being wound down by the Reagan Administration. They have also terminated the Trade Adjustment Act under which President Carter sought to ease the impact of "import-related" unemployment. This granted supplemental unemployment payments and job re-training. Unemployment among steelworkers causes particular distress as they are geographically concentrated in individual steel towns and the fall in property values consequent on closure makes re-location difficult. The U.S. steelworker has traditionally been part of an industrial elite, providing a chance for upward social mobility for those with limited formal education. Their decline can be presented as damaging to America's image of herself. Against this complex background, American public opinion entered 1981 with a firm and simple conviction that the steel industry was in trouble because of foreign dumping. The events of 1982 intensified that perception.

#### 111. A CHRONOLOGY OF THE CARBON STEEL DISPUTE

8. On 12 January 1982 the seven largest American steel firms filed anti-dumping suits with the International Trade Commission (ITC) against producers in Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom, the Federal Republic of Germany, Spain, South Africa, Brazil and Romania. The US Steel Corporation alone presented 400 boxes of evidence to the authorities. A total of 92 suits were brought affecting up to 84% of Community exports to the US. On 8 and 9 February 1982 Commissioners Haferkamp and Davignon had tried with little success to solve the problem. On 19 February 1982 the American International Trade Commission rejected 56 of the 92 complaints as unfounded, but decided in the remaining 36 cases to continue investigations into possible infringements involving unfair trade practices on the part of foreign producers.

On 19 March 1982 the Commission lodged a complaint with the OECD and contended that the actions of the American steel producers had considerably disrupted traditional trade flows and that a situation similar to that prevailing before the OECD agreement of 1977 again existed and was worsening as a result of other US measures in the framework of GATT in relation to special steels.

9. On 11 July 1982 the Commission's hopes of reaching a negotiated settlement were shattered following the introduction of temporary American countervailing duties on imported steel products. At its meeting of 22 June 1982 the Council protested vigorously against the American measures and also pointed to the radical restructuring measures and reduction of capacity carried out by the Community in some areas in recent years. It also emphasized that all subsidies granted to the steel industry were subject to approval by the Commission and were to be phased out by 1985.

Although the USA took no account of the Community's efforts, the Council and the Commission continued their attempts over the next few months to reach a negotiated settlement. On 8 August 1982 an agreement was concluded between the American Department of Commerce and the Commission whereby Community exports were not to exceed 5.756% of the American steel market. In return, the various suits brought by American steel producers were to be suspended.

The agreement was not accepted by the American steel producers in this form. On 12 October 1982 the Commission offered the Americans further concessions. In addition to the agreement on the various types of steel concerned, it also offered to extend the restrictions to six types of steel alloys and sheet piling steel.

10. On top of the proceedings which had been initiated, the conflict was intensified further when the International Trade Commission ruled on 15 October 1982 that imports of five different types of steel from six Community countries were damaging the American industry, thus paving the way for special duties to be introduced. These measures were avoided virtually at the last moment as a result of a new agreement.

#### IV. THE EC/US ARRANGEMENT ON CERTAIN STEEL PRODUCTS

The agreement of 21 October 1982 contains the following provisions:

1. The agreement concerning the ten ECSC product categories is to run from 1 November 1982 to 31 December 1985;
2. EEC exports to the USA are to be subject to voluntary restraint on the basis of estimated US domestic consumption. The share of the US market quota allocated to the ten product categories is as follows;

<u>Product Group</u>	<u>Share (%)</u>
Hot-rolled sheets and strip steel	6.81
Cold-rolled sheets	5.11
Quarto sheets	5.36
Beams (construction steel)	9.91
Hot-rolled merchant bars	2.38
Steel alloys	8.90
Tin plate	2.20
Wire rods	4.29
Coated steel	3.27
Sheet piling steel	21.85

3. The agreement includes a clause which provides for consultation if Community exports to the USA of types of steel not covered by the agreement increase significantly and a deflection of trade is suspected. (If trade flows are distorted in this way, both sides must take the necessary remedial measures within 60 days).
4. In a separate exchange of letters the Community's average exports of steel pipes for 1979 to 1981 (5.9% of the market) were set as a ceiling for the duration of the agreement. These letters also include a consultation clause and measures similar to those outlined in paragraph 3.

#### V. WORKING THE AGREEMENT

11. After months of deadlines and uncertainty the signature of the Agreement was greeted with relief and mild diplomatic satisfaction by both sides. The Agreement provided for quarterly consultation across the Atlantic on this particular project in managed trade.

Administration of any such agreement is complex. Problems concerning individual invoices, of exact timing, of detailed exchanges between categories have all arisen. In the pursuit of the goal of 'fair trade' the EC has enquired about third country goods entering the U.S. It has gone deep into the methodology employed by Data Resources Inc. (DRI) to produce their forecasts for the U.S. market, without which the Agreement can have no meaning.

13. However, the only likelihood of major disturbance has come from the B.S.C. - U.S. Steel proposal to ship semi-finished products from Ravenscraig in Scotland. No sooner was the idea suggested than other countries such as Brazil were mooted similar plans. The potential changes in the structure of the U.S. industry, had this become widespread, were clearly unsettling to the U.S. administration. They thus declared such schemes to 'run counter to the objectives of the Agreement and likely to threaten its viability'.

On the whole, however, the Agreement has worked smoothly.

#### VI. 'SPECIALTY' STEELS

14. The U.S. 'Specialty Steels' industry has shared many of the woes of the U.S. steel industry at large. It has suffered from the recession and from the strength of the U.S. dollar. Arguments about the extent of import surges continue, but one way or another the U.S. industry has been protected almost without interruption since 1969. In 1980, however, the newly-elected President Reagan denied the industry further relief. Under U.S. law no new Section 201 case could be brought for a further two years.

A Section 301 case alleging unfair subsidies was therefore launched by the U.S. Trade Representative (USTR) in December 1981. The E.C., Austria and Sweden were accused of subsidising their industries unfairly. In November 1982 the President instructed the I.T.C. to determine 'whether increased imports were a substantial cause of serious injury'. On 5 May 1983 the I.T.C. so determined.

15. Nothing better illustrates the semi-judicial, semi-political nature of U.S. trade practices than the words used by U.S. diplomats to defend these actions:

"Under our law, the President had 60 days in which to review the I.T.C. determination and decide whether to grant relief as recommended by the I.T.C., other relief, or some other action in place of relief. Many observers believed that if the President did not provide meaningful relief, after having received the I.T.C. report, Congress would have legislated import quotas. The statute provides that once the I.T.C. has made an injury determination and recommended relief, the President "shall" (i.e. must), provide relief "unless he determines that provision of such relief is not in the national economic interest of the United States . . ." In that case he must advise the Congress ". . . what other steps he is taking, beyond adjustment assistance programmes immediately available to help the industry to overcome serious injury and the workers to find productive employment." One obvious alternative to relief would have been a U.S. programme of subsidies to the domestic industry. Such an action, in addition to being a distortion of our own market, would probably have been at least as harmful to our trading partners' competitive positions as the relief the President granted.

The U.S. specialty steel industry lobbied vigorously for five years of import relief - the I.T.C. had recommended three years - at levels much more restrictive than proposed by the I.T.C. There was significant support in Congress for such strict relief. The President, however, approved a relief package for four years. Both the tariff and quota portions of the remedy are degressive, that is, the tariffs decline and the quotas expand in the second, third and fourth years of relief. This degression will be implemented whether or not recovery in the domestic industry proceeds.

The argument is made that we subject others to "double jeopardy" by imposing Section 201 relief in addition to antidumping/countervailing duties. We reject this argument. These remedies are taken under different provisions of our statutes (which parallel the GATT approach) to address different problems. Countervailing and antidumping duties are designed to neutralize the unfair advantages which foreign government subsidization, or dumping by foreign firms, gives overseas suppliers in our market. Section 201 relief is designed to slow the growth of injurious imports temporarily, so that domestic firms have time to improve their productivity." (1)

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(1) Source: U.S. Mission to the European Communities July 1983  
'Background on U.S. Import Restrictions on Speciality Steels'

16. In three crisp paragraphs we can see all elements of current U.S. trade policy:

- an ambiguous automaticity regarding the US statutes which are said to 'parallel the GATT approach', but do not;
- fear of Congress or assumed fear of Congress "pushing for something worse";
- the use of the subsidy issue to turn free trade theory into politically popular protectionist policy.

As all this came only six weeks after the Williamsburg Summit, the Europeans were furious. The 'unilateral protectionist measures' as the E.C. described them were undermining assurances to 'halt protectionism'. The measures, complained Europe, were not accompanied by any coherent adjustment plan; what was more, the protection given was 'far in excess of any injury alleged'. Above all the Commission rejected the 'double jeopardy' in that both Section 201 protection and additional anti-dumping and countervailing duties were proposed. They criticised the implied suggestion that 'unfair trading practices by U.S.'s partners can somehow justify the resort to Art. XIX action'.

The Americans offered an Orderly Marketing Arrangement similar to the Arrangement on Carbon Steels. The Community declined on this occasion to pay this version of 'danegeld'. They demanded consultations and compensations under the GATT.

## VII WHAT LESSONS MAY BE LEARNT FROM THE EC/US STEEL NEGOTIATIONS?

### a) Negotiating as Europe

17. These negotiations were difficult because of the complexity of institutional relationships between companies, national governments and the Commission, the state of crisis in the industry, and because the impact of American pressures bore disproportionately on some Member States. With two exceptions, the Member States showed suitable solidarity throughout the negotiations. It is, indeed, arguable that even the single attempt to arrange separate national deals was provoked by the Commission in order to demonstrate the futility of such gestures. By the end of negotiations the relevant British Minister could publically rebut calls for an independent British move by reference to the 'Community's greater clout in these matters'. Solidarity paid off.

However, the more cynical might perhaps detect a U.S. interest in dealing with a unified Europe. The industry which the Americans most feared was that of Germany, against whom no charges of subsidy could at that stage be proved. The conclusion of 'national' deals would have left the American market open to German competition. Solidarity means losses as well as gains, and the German Government is entitled to praise for its sacrifice of national interests at a key stage.

b) Negotiating with the United States

18. Certain conclusions may be drawn about negotiating with any U.S. Administration. Obviously no negotiation can be seen in isolation. One 'crisis' links to another. Trigger Price Mechanism is succeeded by Carbon Steel Arrangement, and that by unilateral action on special steels. Crises have come in waves and one might reasonably expect the next in 1986 and 1988. A certain grand inevitability marks the decay of the traditional steel industry on both sides of the Atlantic.

The recent steel crises have made clear the protectionist potential of the Trade Reform Act 1974 and the Trade Administration Act 1979. It is not altogether out of line with previous American behaviour that the domestic consequences of ratification of the Kennedy and Tokyo rounds should have previously undetected protectionist potential. The discussion on carbon steel was conducted, not in GATT terms, but within the parameters of the United States's own legislation. Their definition of 'subsidies' was central to their own case. The negotiation was in effect conducted under duress, because the invocation of GATT procedures 'would have taken too long' and the commercial forfeit would have been too great.

19. The sheer constitutional complexity of the American side of the negotiations made the notoriously opaque European decision-making look clear by comparison. The interplay between the Office of the U.S. Trade Representative, the Department of Commerce, the International Trade Commission, Congress and the President himself was bewildering. Furthermore, part of this interplay was judicial and part political. The judicial aspect led to sudden losses of power by the Administration at crucial moments, such as after 8 August 1982. The Administration and the European Commission had reached an Arrangement, but it could not be concluded without the permission of the U.S. steel industry.



c) Dealing with the Reagan Administration

20. Europeans may have been surprised by the rather disagreeable combination of free-trade homilies with protectionist measures which has marked the Reagan trade policy to date. Americans tend to respond by pointing out how much worse matters could have been. It would seem that in the U.S., as elsewhere, continued recession and the evaporation of undoubted American superiority has led to an assertiveness in trade matters. A general public predisposition towards Protectionism, with deep historical roots, undoubtedly exists. This can be converted by certain groups into actual protectionist measures. The free trade supporters in the Administration may allow their ideological objections to protection to be swept aside if an element of infringement of the free market, such as state subsidization, can be demonstrated. Thus the President was against the T.P.M. as protectionist; while the industry wanted it broken because it was not providing enough protection.

The combination of the deregulation of 'oil country goods' and an unbecoming greed by certain European companies, led to embarrassing stockpiles and a ready-made opportunity for the U.S. industry to draw the President's attention to the degree to which 'Europe was in bed with its steel industry'.

21. It has been said that a 'gentleman is never rude by accident'. The Japanese would never have acted with such accidental bad manners. Perhaps in the current world poised half-way between free trade and managed trade, discretion is more important than aggression.

d) Subsidies and the future of the GATT

22. 'Subsidies, their definition and control', is the golden thread which links the aspects of the recent steel crises. If GATT will not police and develop its Code on Subsidies then the system will be subverted at many points. It is your Rapporteur's view that unless the GATT is radically updated, extended and given increased power to decide on trade matters, the future of the open trading system must be in doubt. If the current GATT arrangements cannot be made to work between the world's largest trading entities, Europe and America, it has scant change of working elsewhere. One should be encouraged by the reference of the Special Steels case to GATT but, at the time of writing, all the evidence would seem to point to the usual scenario of delay. As elsewhere

in the Atlantic relationship, responses to common world problems show themselves first as Atlantic problems. Rather more than the future of our respective steel industries is involved in the resolution of such disputes between America and Europe.

VIII. SHOULD THERE BE CHANGES IN THE COMMUNITY'S OWN VOLUNTARY RESTRAINT ARRANGEMENTS?

23. The combination of a 'manifest crisis' in the steel industry of Europe and a restriction of exports to that industry's largest single external market have led to calls for a tightening of the Community's bilateral arrangements with its own suppliers of steel. In fact, at no time has the Community resorted to the external quantitative restrictions provided for in Art. 74 of the E.C.S.C. Treaty. It has chosen the path of Voluntary Restraint Agreements with its traditional partners and has undertaken to respect the principle of preserving the traditional patterns of trade, due account being taken of the development of its market.

24. The present steel policy of the Community provides in the main two distinct and possibly complementary mechanisms with which to achieve the above objectives:

a) Basic Prices

Established in conformity with the GATT anti-dumping code, these are generally applicable in the Community's relations with third countries. Published regularly since 1 January 1978 for most E.C.S.C. iron and steel products, basic prices on imports are calculated by reference to the lowest normal costs in the supplying country or countries where there are normal conditions of competition. In the event of the calculation being contested, an appeal may be lodged with the Court of Justice of the European Communities. The basic prices are subject to modification when the review of the calculations of normal costs in the supplying countries reveal a given level of increase. Such adjustments of basic prices, expressed in ECUs, naturally take account of any fluctuations in exchange rates.

Basic prices are used as a reference for the application of the Community measures aimed at dealing with dumping. In the event, in particular, of the basic prices being underquoted, the importer runs the risk of setting in motion an anti-dumping procedure to which both the GATT anti-dumping code measures and the existing Community provisions are applicable.

b) The system of arrangements

When the basic prices were introduced, the Community was aware of the inevitable threat which this system would pose to the maintenance of the traditional patterns of trade; this might lead to a reduction in supplies of products from the countries which had been Community's traditional suppliers. To prevent this from happening, it was decided to offer a more favourable alternative to the application of basic prices.

Consequently, at the end of 1978, the Community invited the third countries which were its main suppliers of steel to conclude with it bilateral arrangements valid for one year and relating to imports into the Community of products originating in these countries. Since then, the arrangements have been renegotiated and extended annually and at present govern relations between the Community and 14 third countries, namely, Austria, Finland, Norway, Sweden, Spain, Brazil, Korea, Australia, Bulgaria, Hungary, Poland, Romania and Czechoslovakia; a special agreement exists with Japan.

It should be observed that, in introducing this mechanism, the Community took care to respect the general agreement reached in the OECD in 1977 regarding the need to preserve traditional patterns of trade and to ensure that a country did not pass the burden of its own crisis on to a partner country.

24. The details of such mechanisms are unclear but their effectiveness cannot be doubted. The recent answer to Parliamentary Question 307/83 shows that E.C. imports 'for third countries in relation to apparent consumption' rose from 9.17% (Eur 9) in 1979 to only 9.86% (Eur 9) in 1982. No tightening up of Europe's V.R.A.'s would, therefore, seem necessary.

1. 1983 World production and imports into the US

World production of new steel amounted to 664 million tons in 1983 which is + 2.9% or 19 million tons more than in 1982. Yet 1983's 664 million tons is 83 million tons short of the record 747 million tons reached in 1979, a drop of -11.1%.

Production in the Western world in 1983 was 407 million tons which is 2.1% higher than the 398 million tons recorded in 1982. It still remains 18.2% or 19 million tons lower than the 497 million tons produced in 1979.

The principle change was in the United States where 1983 witnessed a + 13.2% or 9 million tons more than the 68 million tons produced in 1982. Production in the EEC declined by -1.8% and in Japan by -2.4% in 1983. These figures come after an already extremely low level of production in 1982.

US steel imports were up to 2.4% over last year to a new level of imports at 17 million tons. Imports captured about one-fifth of the domestic market.

EEC shipments declined 26.5% to 4.1 million tons due largely to the arrangement negotiated between the US and the Community.

Japan similarly reduced its shipments to the US by 18.3% to 4.2 million tons.

However other countries shipped 51.1% of 1983 steel imports or 8.7 million tons, up to 48.3% from 5.9 million tons in 1982.

2. Bethlehem Steel and the new challenge to the carbon steel agreement

The strongest challenge at present to the October 1982 Agreement was announced on 24 January 1984. On that date Bethlehem Steel Corporation with the support of the United Steelworkers of America announced that it had introduced a request to the US International Trade Commission under the 1974 Trade Act asking for all imports of carbon steel to be limited to a total 15% share of the US market and alleging that domestic industry had been damaged by imports up to now. Imports currently average between 20% and 22% of all steel used in the US with EEC exports accounting for just over 5% of the US market. Although

Bethlehem's request is clearly contrary to the spirit of the EEC Arrangement it was not targeted specifically at European producers. Bethlehem's stated rationale for the trade suit was the possible unfair trade practices of various developing countries, particularly in Latin America. However, under Section 201 of the 1974 Trade Act 'the US is required to investigate all imports rather than to distinguish between fair and unfair trade.'

Bethlehem steel is now essentially calling for 'global quotas' on steel imports into the American market.

The final decision on whether to impose new quotas remains with the President. Under the 1982 Arrangement the EEC has the right to unilaterally renounce the agreement should new complaints over carbon steel imports be lodged with the ITC by US producers. To date, the Commission has been careful to avoid threats of retaliation.

### 3. Speciality Steels

In response to the US limits on imports of speciality steel products, the Community has announced retaliatory measures upon a range of US imports to the Community including chemical products, sporting goods and security devices.

The Community has now agreed the administrative detail of how these retaliatory measures are to work with the US. It may therefore be said that the full procedure under GATT rules has now been completed.

MOTION FOR A RESOLUTION (DOCUMENT 1-954/81)

tabled by Mr de la MALENE, Mr ANSQUER, Mr CLEMENT,  
Mr COUSTE, Mr CRONIN, Mr DAVERN, Mr DELEAU, Mr DENIAU,  
Mrs EWING, Mr FANTON, Mr FLANAGAN, Mr GERONIMI,  
Mr ISRAEL, Mr JUNOT, Mr LALOR, Mr MEO, Mr NYBORG,  
Mr PAULHAN, Mr REMILLY, Miss de VALERA, Mr VIE and  
Mrs WEISS

on behalf of the Group of European Progressive  
Democrats

pursuant to Rule 47 of the Rules of Procedure

on a European riposte to the complaint made by  
American steel companies

The European Parliament,

- concerned at the large number of anti-dumping and anti-subsidy complaints lodged against the various Community steel producers on 12 November 1981 by the leading US steel companies,
  - noting that between 1979 and 1981 European exports of steel to the USA fell by 16%, i.e. significantly more than US steel imports as a whole,
1. Considers therefore that the claims of damage levelled against European steel producers are completely unfounded, particularly in view of the high level of profits recorded by the American steel companies;
  2. Refers to its earlier resolutions (Docs. 1-192/80 and 1-565/80) condemning such practices, which were adopted almost unanimously;
  3. Supports therefore any action that may be taken by the Community to prevent the traditional patterns of trade between the EEC and the USA from being seriously disrupted, which would jeopardize the jobs of thousands of workers;
  4. Requests that, should such action fail, consideration should be given to counter-measures by all the Member States acting together;
  5. Instructs its President to forward this resolution to the Council and the Commission.

**MOTION FOR A RESOLUTION (DOCUMENT 1-699/82)**

tabled by Mr COLLINS, Ms QUIN, Mr ADAM,  
Mr GRIFFITHS, Ms CLWYD, Mr ROGERS and Mr KEY

pursuant to Rule 47 of the Rules of Procedure

on the situation in the steel industry

The European Parliament,

- A - Aware that imports into the European Community from third countries have risen over recent months,
  - B - Concerned that the UK steel industry has been the most seriously affected by such imports,
  - C - Aware that the UK steel industry has reduced its capacity more than any other European Community country,
  - D - Aware that in June of this year alone, 38% of steel imports into the UK came from non-EEC countries such as Romania, South Korea, South Africa and Brazil,
1. requests the Commission to investigate, as a matter of urgency, ways in which greater protection can be provided to the steel industry, especially those areas most severely affected by third country imports;
  2. demands that the Commission investigates more fully the allegations of increased steel capacity in many member countries since 1975.

