

COUNCIL OF THE EUROPEAN COMMUNITIES  
GENERAL SECRETARIAT

PRESS RELEASE

9911/85 (Presse 155)

1036th Council meeting

- Industry/Steel -

Luxembourg, 29 and 30 October 1985

President: Mr Jacques F. POOS

Minister for Economic Affairs  
of the Grand Duchy of Luxembourg





STEEL POLICY AFTER 1985

After very thorough discussion, the Council gave its assent <sup>(1)</sup> to the draft Commission Decisions concerning:

- the organization of the iron and steel market after 1985 (pursuant to ECSC Article 58)
- the rules on aid and intervention by the Member States for the steel industry after 1985 (pursuant to ECSC Article 95).

The Council has thus given Community steel firms the necessary information in time to enable them to base their commercial and investment policies after the end of 1985 on sound data.

The essential details of the new arrangements are as follows:

A. Organization of the market

The following products will be freed from the quota system as from 1 January 1986:

- concrete reinforcing bars (category V)
- coated sheet (category Id)

As regards other products, before the end of 1986 the Commission, together with the Council, will examine the situation on the market. In the light of this examination, it will make new proposals aimed at continuing the progressive liberalization of the system as from 1 January 1987.

The Council also approved a number of technical details of the new system, viz. the maintenance of current references and their updating in accordance with certain criteria, the maintenance of controls over traditional flows, the reinstatement of Article 14 D (d) of Decision 234/83.

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<sup>(1)</sup> The Spanish and Portuguese delegations have been consulted and have raised no objections to the Council giving its assent.

The arrangements also include, inter alia: the suspension of minimum prices as from 1 January 1986, the exclusion of Spain and Portugal from the transitional arrangements, the maintenance of Article 14(c) concerning exceptional orders, the maintenance of special provisions for Greece and Ireland.

The Decision on the new market organization arrangements will be valid until 31 December 1987.

B. Aid schemes

From 1 January 1986 to 31 December 1988, the only aid authorized will be:

- research and development aid provided that the projects concerned have one of the following objectives: reduction in production costs, improvement in the quality of products, improvement in the performance of iron and steel products or extension of the range of applications of steel, improvement in the environment and in working conditions.

The total amount of aid granted for this purpose may not exceed 35% net grant equivalent of the eligible costs of the project in the case of basic industrial research and 25% in the case of applied research and development.

- aid for environmental protection measures for facilitating adjustment to new statutory environmental standards, of up to 15% - in net grant equivalent - of the investment cost directly associated with the environmental protection measure concerned.
- closure aid:
  - . to cover up to 50% of payments to workers made redundant or accepting early retirement under certain conditions and within limits specified in the Decision.

29/30.X.85

. to compensate for the complete and permanent cessation of the activities of steel undertakings meeting certain criteria and within the limits laid down by the Decision.

Aids for this purpose may be paid only until 31 December 1988.

= Regional investment aid in Greece in accordance with the general aid schemes, provided that the investments in question do not lead to an increase in production capacity.

Finally, the Decision obliges Member States to give prior notification of all public financing of public or private steel firms for the duration of the new arrangements.

#### RELATIONS WITH THE UNITED STATES IN THE IRON AND STEEL SECTOR

The Council was apprised of the situation as regards the consultations which the Commission is currently holding with the American authorities on iron and steel.

It had an exchange of views, following which it reiterated its great concern on this important subject, in particular on the quantitative aspects. It voiced the hope that a satisfactory solution might rapidly be found.

29/30.X.85

OTHER DECISION

Agriculture

The Council adopted, in the official languages of the Communities, the Regulation setting criteria for mobilization on the Community market of vegetable oils for supply as food aid.

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Bruxelles, le 28 octobre 1985

NOTE BIO(85)346 AUX BUREAUX NATIONAUX  
c.c. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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PREPARATION CONSEIL INDUSTRIE, LUXEMBOURG 29.10.85  
(Per VINTHER)

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Comme vous le savez sans doute les Ministres de l'Industrie des Dix se reuniront demain a 15 heures a Luxembourg pour tenter d'arriver a une position commune concernant le regime quotas de production et aides apres 1985.

Les Directeurs generaux des pays membres se sont reunis toute la journee mercredi le 23 et se reuniront a nouveau demain matin pour essayer de rapprocher les points de vue.

#### Quotas

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Un certain progres a ete constate mais il reste encore des points cruciaux a resoudre, surtout concernant l'adaptation des references et la question des quotas supplementaires pour fermeture de capacites apres le 1er janvier 1986. En ce qui concerne la liberalisation des quotas on constate toujours une forte opposition a la liberalisation de la categorie IV, fil machine, et pour les categories Ic, toles galvanisees, et Id, toles autrement revetues, plusieurs hypotheses sont possible :

Liberer Ic et Id maintenant.

Liberer Id maintenant et Ic d'ici un an.

Combiner les deux categories et les laisser dans le regime des quotas.

La Commission refuse une prolongation du regime actuel de trois mois parce que ce n'est que de pousser le probleme devant soi. Sans decision demain, M. NARJES craint des fortes perturbations sur le marche.

#### Aides

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Des details techniques restent encore a resoudre ainsi que la question des aides a la fermeture.

#### Relations avec les Etats Unis

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M. DE CLERCQ fera rapport sur l'etat des negociations avec les Etats Unis.



**MATERIEL DIFFUSE**

IP 474 Une entreprise siderurgique se voit infliger des  
astreintes pour refus de cooperation avec les  
inspecteurs de la Commission

Discours de M. CLINTON DAVIS sur les pluies acides a  
Strasbourg

Statistiques : indicateurs conjoncturels de l'industrie

Amities, *JA*  
G. ANOUIL COMEUR

Luxembourg, le 29 octobre 1985

NOTE BIO (85)346 (SUITE 1) AUX BUREAUX NATIONAUX  
c.c. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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INDUSTRY COUNCIL, LUXEMBOURG 29.10.85  
(Per VINTHER)

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The steel sector after 1985 : still no clear picture

After hearing a report by the group of directors general which did not show any major progress the industry ministers had another tour de table concerning the production quota system covering the following six points :

- 1) categories
- 2) references
- 3) art. 14 B
- 4) art. 14 D
- 5) art. 15 B
- 6) management autonomy for the Commission.

The Presidency asked the delegations to first of all clarify the problem in connection with the only Danish steel plant which would like confirmation of the supplementary quota of 100 000 t/year (art. 14 D).

This confirmation was given subject to an agreement on elimination of category V (reinforcing bars) from the quota system, in which case the amount of the quota for this category would have to be deducted from the 100 000 t.

On the other points no change of positions was registered and the Presidency proposed to pass on to the question of aids, although he noted agreement on Commission autonomy for reinclusion of products in the quota system.

On the question of aids M. Sutherland announced that the Commission had modified its proposal in such a way that all delegations seemed able to agree to it. He recalled that any aids scheme should be based on article 95 of the ECSC treaty or else article 4 C would apply from the first of January 1986.

The Commission proposed to limit the duration of its decision to three years and restrict the closure aids to such covering social costs in connection with redundancies, and depreciation value only where companies intend to leave the steel sector all together.

After another tour de table, the Presidency concluded that only minor reservations still existed concerning closure aids, notably on the part of the German and Italian delegations. It was decided to adjourn the meeting until 18.30 hrs to allow for further bilateral negotiations on points of difference.

The meeting will resume en restreint.

Regards,  
VINTHER



Luxembourg, 17 october 1985

Bio note(85) (suite 2) aux Bureaux nationaux

CC. aux Membres du SFP - - - - -

The Industry Council, Luxemburg, 17.10.85

Over lunch the Minister's Council and the Commission (Willy de Clerq had by then turned up with Narjes and Sutherland) reviewed the situation concerning the renegotiation of the EEC/US steel trade agreement. The Commission's analysis that the American proposals were unacceptable (both as to the list of products and to the coverage) was endorsed and the Council entrusted Mr. de Clerq to convey this to his interlocutors and to explore further the possibilities for launching the negotiations on a basis capable of securing a mutually fruitful outcome.

The Council resumed with a "tour de table" on the aids policy after 1985. Mr. Sutherland, in his opening remarks underlined that the Commission remains implacably opposed to authorization of regional aid. Such aid would risk undoing what we have all achieved. It would be a vehicle for paying further operating and investment aid and thus would defeat the basic prohibition of such aid which we all agreed last March. It would also represent a duplication of payment of aid already received under the current steel aids code and the firms concerned would in fact be payed twice for the same effort. Nor can it be argued that such aid makes sense in terms of regional development policy. To suggest that the poor regions of the Community should try to secure their economic development through investment in a traditional industry such as steel with all its difficulties rather than in modern industry would not seem to be in the best interest of those regions.

On closure aid : The Commission remains convinced of the need to provide for aid to cover the direct costs of closures as well as a special compensation for the shut-down of hot-rolling mills.

A significant overcapacity of more than 20 millions tons continues to hang over the market. A number of companies remain vulnerable with marginal prospects of viability unless they carry out further restructuring. The fact that there will be a continuation of the quota system for a certain period also reduces the incentive for structural change.

The Commission will keep an open mind on this issue and is prepared to look for a compromise solution that would not detract from the essential purpose of not inhibiting firms from undertaking further closures which are in their own best interest as well as in the interest of the market as a whole.

Mr. Sutherland noted that there seems to be general agreement on the proposals relating to R and D and environmental protection. As to state financial participation in steel enterprises : the Commission remains determined to ensure that there is adequate monitoring of state financial participation in order to verify that no unauthorized aid elements are involved.

He concluded that a failure to agree before the end of the year on the post-1985 steel aid regime will leave the Commission with no alternative but to apply fully Art. 4c of the ECSC Treaty without qualifications. That would be regrettable in view of our desire to place, through Art. 95 decision, the steel industry on the same footing as other industrial sectors. A return to the destructive practices of the past before the existence of the Community's current steel aid code is in no one's interest because it would undermine very rapidly what we have all paid so dearly to achieve. From the Commission's point of view we are determined not to let that happen and we would like to avoid the obvious difficulties of a recourse to Art. 88 of the ECSC Treaty. I therefore want to reiterate that we all have a fundamental common interest in reaching full agreement on the post-1985 steel aid regime on the basis of an Art. 95 decision.

As could be expected after the "COREPER" meetings the "tour de table" showed a good following for the Commission's proposals. Italy was, however, preoccupied by an attitude which would discriminate against the steel industry (regional aids, investments aids). Greece while endorsing the Commission's proposals urged caution, Ireland supported the Commission. Germany firmly opposed closure aids. Denmark seconded.

Belgium pleaded in favour of regional investment aids, saying that they represented a good incentive for the privatization of steel undertakings, now in public hands. Mr. Eyskens also called for greater transparency and referred to hidden subsidies (coal, energy tariffs etc.) benefitting the steel industry. The UK wanted strict criteria for the permissible R and D aids. As for closure aids she supported compensation for redundancies, demolition and breach of contracts, but was guarded about accelerated depreciation of assets. The money must not go to steel ventures, but to other sectors. The Netherlands generally supported the Commission, while stressing the need to restore normal market conditions as soon as possible. Luxemburg requested legal clarification of the relationship between Art. 4c and 67 ECSC. Closure aids risked to reward those who had been slow in restructuring. Luxemburg opposed closure aids for hot-rolling mills. Portugal and Spain did not have any particular comments.

Mr. Sutherland replied to the various points made; emphasising more particularly that closure aids had been retained by the Commission because one could not pretend that we were in a free market situation. The quota discussion clearly confirmed this and closure aids were designed to maintain an incentive for dealing with excess capacity.

The Presidency drew the following conclusions :

(r Considering that:

- a broad consensus has been reached among the Member States on the need to adopt on the basis of Article 95 of the ECSC Treaty a strict system of aid to the iron and steel industry after 1985;
- this identity of views also covers the justification for excluding from this system of aid all possibility of operational aid and aid for investments which are not in the nature of regional aids;
- the Member States are agreed as to the need to allow the iron and steel industry to benefit from research and development aid and aid for protection of the environment on the same terms as the other sectors, and to subject to prior notification.  
Member States' financial participation in iron and steel undertakings;
- the majority of Member States are in favour of excluding regional investment aid from the system and to provide incentives for further closures by allowing at least for covering the costs of closures listed in Article 4(2) of the existing code of aid (Decision No. 2320/81/CECA);

the Council requests the Commission, between now and the Council's next meeting, to continue its bilateral contacts with the Member States in order to bring about convergence between their positions on issues which still give rise to differing viewpoints. >

Relations avec les Etats-Unis dans le domaine sidérurgique

Le Conseil a pris connaissance des informations que lui a fournies la Commission sur les consultations en cours avec les Etats-Unis dans le domaine sidérurgique.

A la suite d'un échange de vues, le Conseil

- a souligné que la CEE a été la première à conclure un arrangement dans le domaine sidérurgique avec les Etats-Unis, qui a été pleinement respecté, et a insisté pour que les efforts déjà consentis depuis lors pour restreindre ses exportations soient également pris en compte ;
- a exprimé ses très vives préoccupations devant les positions prises jusqu'ici par la partie américaine qui exige, *entre autre* aussi bien une augmentation importante de la couverture en produits qu'une réduction des possibilités d'exportation et ce pendant une durée excessive ;
- a rappelé qu'une solution négociée n'est toutefois envisageable que si elle tient compte également des intérêts fondamentaux de la sidérurgie européenne ;
- a soutenu pleinement la Commission dans ses efforts en vue de parvenir à un accord avec les autorités américaines et a invité celle-ci à poursuivre avec fermeté les discussions, en étroite consultation avec les Etats membres.

Regards,

P. Vinther

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