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REPORT

drawn up on behalf of the Committee on Economic
and Monetary Affairs

on combatting the crisis in the European steel
industry

Rapporteur: Mr M. WAGNER



Pursuant to Rule 47 of the Rules of Procedure the European Parliament referred :

- at its sitting of 4 May 1981 the motion for a resolution by Mr Kappos (Doc. 1-152/81) to the Committee on Economic and Monetary Affairs.

On 13 May 1981 the committee appointed Mr Wagner rapporteur.

- at its sitting of 14 October 1981 the motion for a resolution by Mr Michel and others (Doc. 1-602/81) to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Energy and Research and the Committee on Social Affairs and Employment for opinions. By letter of 30 October 1981 the Committee on Energy and Research decided not to draw up an opinion.

On 24 November 1981 the Committee on Economic and Monetary Affairs appointed Mr Wagner rapporteur.

- at its sitting of 18 November 1981 the motion for a resolution by Mr Combe and others (Doc. 1-718/81) to the Committee on Economic and Monetary Affairs.

At its meeting of 3 and 4 December 1981 the Committee on Economic and Monetary Affairs decided to draw up a general report on the situation of the steel sector in the Community, in which the three abovementioned motions for resolutions would be covered. Mr Wagner, who had already been appointed rapporteur for the first two resolutions, was also entrusted with the third motion for a resolution.

- at its sitting of 19 April 1982 the European Parliament referred pursuant to Rule 47 of the Rules of Procedure the motion for a resolution by Mrs Lizin (Doc. 1-40/82) to the Committee on Economic and Monetary Affairs.

At its meeting of 21 and 22 September the committee decided not to draw up a specific report, but to include this motion for a resolution in the general report.

By letter of 28 September 1982 the Committee on Economic and Monetary Affairs requested authorization to draw up an own-initiative report on the steel sector. It appointed Mr Wagner rapporteur for the own-initiative report at the abovementioned meeting.

By letter of 14 October 1982 it received authorization to draw up such a report.

Pursuant to Rule 47 of the Rules of Procedure the European Parliament at its sitting of 13 October 1982 referred the motion for a resolution by Mr Romualdi and others (Doc. 1-685/82) to the Committee on Economic and Monetary Affairs.

At its meeting of 23 and 24 November 1982 the committee decided not to draw up a specific report, but to incorporate this motion for a resolution in the own-initiative report.

It considered the draft report at its meeting of 20/21 April 1983 and adopted the motion for a resolution by 17 votes to 15.

The following took part in the vote : Mr J. Moreau, chairman; Mr Hopper and Mr Macario, vice-chairmen; Mr Wagner, rapporteur; Mr Albers (deputizing for Mr Ruffolo), Mr Beazley, Mr von Bismarck, Mr Bonaccini, Mr Caborn, Mr Carossino (deputizing for Mrs J. Hoffmann), Mrs Desouches, Lord Douro (deputizing for Miss Forster), Mr Fernandez, Mr Fich (deputizing for Mr Papantoniou), Mr Franz, Mr I. Friedrich, Mr Heinemann (deputizing for Mr Walter), Mr Herman, Mr Hoffmann (deputizing for Mr Collomb), Mr R. Jackson (deputizing for Sir Brandon Rhys Williams), Mr Key (deputizing for Mr Rogers), Mr Leonardi, Mr Mihr, Mr Müller-Hermann (deputizing for Mr Giavazzi), Mrs Phlix (deputizing for Mr Van Rompuy), Mrs Rabbethge (deputizing for Mr Vergeer), Mr Rogalla (deputizing for Mr Schwartzberg), Mr Schinzel, Mr Schnitker, Mr Spencer (deputizing for Mr de Ferranti), Mr Welsh and Mr von Wogau.

The opinion of the Committee on Social Affairs and Employment is attached.

The report was tabled on 25 April 1983.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	16
I. General remarks	16
II. The European Parliament's involvement in this matter at present	16
III. Tasks of the Commission of the European Communities as the institution implementing the Community steel policy laid down in the ECSC Treaty	17
IV. Prospects for a European steel policy	24
<u>Annex 1</u> - Summary of the 'General objectives for steel 1985' published by the Commission in March 1983	26
<u>Annex 2</u> - Key statistics ¹	29
<u>Annex 3</u> - Aid code, Official Journal of the European Communities No. L 228, 13.8.1981, pp. 14-18	32
<u>Annex 4</u> - Motion for a resolution tabled by Mr Kappos (Doc. 1-152/81) on the restrictions on steel production and their consequences for Greece	37
<u>Annex 5</u> - Motion for a resolution tabled by Mr Michel and others (Doc. 1-602/81) on national aid to iron and steel undertakings and on industrial and restructuring policies in the Member States of the EEC	38
<u>Annex 6</u> - Motion for a resolution tabled by Mr Combe and others (Doc. 1-718/81) on steel prices	40
<u>Annex 7</u> - Motion for a resolution tabled by Mrs Lizin (Doc. 1-40/82) on the situation in the Walloon iron and steel industry	41
<u>Annex 8</u> - Motion for a resolution tabled by Mr Romualdi and others (Doc. 1-685/82) on the crisis in the Italian steel industry, particularly in the region of Naples	42
<u>Opinion of the Committee on Social Affairs and Employment</u>	43

¹ Not available in Greek or Danish

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on combatting the crisis in the European steel industry

The European Parliament,

- having regard to the motions for resolutions contained in Docs. 1-152/81, 1-602/81, 1-718/81, 1-40/82 and 1-685/82,
- having regard to the resolution of 18 November 1982¹,
- having regard to the two resolutions of 18 February 1983 by the ECSC Consultative Committee
 - on the revised general objectives for the steel sector for 1985 and
 - on the social aspects of the general objectives for the steel sector for 1985,
- having regard to the hearing of 24 February 1983 and 16 March 1983 by the Committee on Economic and Monetary Affairs on the steel crisis,
- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Social Affairs and Employment (Doc. 1-238/83),

A. concerned

- that after the disturbing fall in demand for steel caused by
 - . a general slump in growth as a result of the world economic crisis,
 - . the reduced range of specific applications for steel as a consequence of technical progress and
 - . the substitution of steel with other materials
- an incisive increase in steel requirements cannot be envisaged in the immediate future,
- that after the loss of 247,000 jobs in the steel industry in the period from 1974 to 1981, the Commission is proceeding on the assumption that a further 150,000 jobs will be shed in the period from 1982 to 1986,

¹ OJ No. C 334, 20.12.1982, p. 81

- that because of undercutting, made possible by subsidies, and overdue restructuring processes, together with the increasingly high level of borrowing, the risk of company failure is steadily growing,
- that there is an increasing danger of economic decline and of entire regions becoming economic wastelands with the related loss of opportunity for the coming generation,
- that the failure of certain steel undertakings to comply properly with the Commission's regulations on prices and production quotas is jeopardizing the success of the measures introduced to combat the crisis pursuant to the ECSC Treaty, of the decisions by the EEC Council of Ministers and of the crisis management agreed voluntarily by the steel undertakings,
- that the crisis in the European steel industry will have uncontrollable and adverse repercussions on
 - . other sectors of the economy,
 - . the economic structure in the relevant sector and regions,
 - . social peace in the regions concerned,
 - . the development of the European integration process,

B. whereas a further reduction in the present excess capacity is essential for the future competitiveness of the steel and steel-processing industries and suitable measures must be initiated to provide the workers, undertakings and regions concerned with adequate aid for a fixed transitional period of restructuring and in addition support must be given to all public and private efforts which aim to create a sufficient number of secure jobs through the introduction of new products and services,

1. Notes that

- in the general objectives for the steel sector for 1985 both the present situation and the probable developments have been described on the basis of a realistic analysis,
- the following factors should be taken into account in order to prevent a further decline in the steel sector:
 - (a) incorporation of the iron and steel industry into a general industrial policy to be defined by the Commission,
 - (b) management of the demand for steel through the promotion of incentives,
 - (c) the effects on foreign trade which are to be anticipated from improved competitiveness, and also from a comprehensive import and export policy, as far as steel products and manufactured products are concerned,

(d) inclusion of further steel products in the list of products which fall under the responsibility of the Commission;

2. Insists on the need to pursue further the restructuring of the iron and steel industry and the reduction in production capacity within the framework of a real common market in steel, and in so doing

(a) to take full account of the degree of plant obsolescence and efficiency and the efforts already undertaken since 1977 - when the steel crisis measures were introduced - at the very least as advocated in paragraph 8 of the European Parliament resolution of 18 November 1982,

(b) likewise the traditional trade flows and the existing shares of the Member States in EEC steel production must be taken into account and largely maintained. The future of the regional steel production bases must be secured as far as possible by guaranteeing or restoring their competitiveness.

The regions concerned must not be allowed to become economic disaster areas as a result of the shedding of capacity in the iron and steel industry. The creation of replacement jobs by the expansion of existing firms - particularly small and medium-sized undertakings - and the attraction of new industry with the aim of achieving a balanced economic and employment structure must therefore be a priority concern of all those responsible;

3. Regrets that the Commission reviews the general objectives for the steel sector only once every five years and calls for updating at shorter intervals - every two years at least - and a review to take account of the current serious developments on the steel market;

4. Calls on all concerned to ensure that the necessary steps are taken to achieve a new market balance by 1985, as indicated in the general objectives for the steel sector;

5. Supports the Commission in its efforts to implement effective checks on compliance with production quotas and prices and to enforce sanctions;

6. Considers that

- even greater attention than hitherto must be devoted to pricing policy and the price level should be steadied through the combined action of guide prices and the fixing of quotas and having regard to the ruling world prices for equivalent products,

- further necessary price increases must be implemented in reasonable stages after appropriate consultations with the aim of improving the profitability of the steel undertakings and guaranteeing the competitiveness of the steel-processing industry;
- changes in the parities of EEC currencies should not be allowed to lead to distortions of competition and that necessary price adjustments must be made immediately;

7. Takes the view that

- the Community institutions have suitable instruments at their disposal to enable them to tackle the social problems which are being exacerbated by the continuing crisis in all Member States; particular reference should be made to Articles 2, 3, 5 and 56 of the ECSC Treaty and other Community regional and social aid,
- Commission, Council, employers and workers must make a major effort to maintain employment and gain acceptance for proven and new types of training and retraining concerned, promote the further training and retraining of workers in the steel undertakings themselves and outside in appropriate vocational training institutes with a view to ensuring the full utilization of training capacities in the steel undertakings and training young people for skilled employment;

8. welcomes the suggestions put forward by the Commission concerning social support provisions to assist restructuring in steel producing areas and calls on the Commission and Council to take an early decision to make available the necessary financial resources and to set in motion a medium-term social programme to

- (a) stop unwarranted overtime and hence make possible the recruitment of additional workers,
- (b) continue with aid to national measures relating to workforce reduction, allowing agreements on early retirement from the age of 55, particularly by means of legislation or other measures with equivalent effect,
- (c) continue to provide support for those on short-time work,
- (d) provide financial support for arrangements which aim at a reduction in working time at the various levels, provided that the cost of such measures can be borne by the undertakings and that they have been agreed by the social partners, for example, the introduction of a fifth shift and the 35-hour week,

- (e) promote, by means of recruitment subsidies, the reabsorption of redundant workers into new employment, including experimental part-time employment projects,
- (f) facilitate further training, retraining and initial training with a view to the conversion of undertakings,
- (g) support the work of coordinating bodies, which have a particular responsibility in the field of employment planning, in the regions affected by conversion measures;

9. Calls on the Commission

- to apply specific measures to restrict imports from third countries, which enter the Community in violation of the existing rules, so that the severe disturbances which this causes to the market and to employment can be quickly stopped,
- to re-examine regularly the voluntary restraint agreements which it has made with various supplying countries, in order, if necessary, to be able to adapt the agreements with the principal suppliers - to take account of the steadily falling demand for steel products - further to shorten the intervals at which national import statistics are submitted to Brussels,
- to ensure that voluntary restraint agreements are not based on overall quantities of steel but are broken down by product, supplying region or supply period;

10. Believes it to be urgently necessary to secure an unrestricted common EEC steel market and therefore calls on the Commission and the Council to do their utmost to ensure that the causes which give rise to demands for the introduction of frontier checks within the EEC are eliminated;

11. Calls for a consistent application of the EEC aid code, to prevent ruinous rivalry between the national governments in the matter of subsidies, which leads to constant and damaging undercutting and creates new sources of loss for the steel undertakings;

12. Calls on the Commission to make forceful representations to the Council of Ministers to ensure that an economic and employment policy initiative is taken on the basis of common strategies, which will quickly reduce the unemployment rate and gradually achieve full employment by means of:
- (a) financial support for policies which encourage job-creating investment, with the aid to be coordinated and its use monitored,
 - (b) closely coordinated and practical aid measures for undertakings, irrespective of whether they are large, medium or small, aimed at making use of their specific potential and designed to encourage new projects in the undertakings, support their investment plans, meet their equipment needs, coordinate planning, overcome their internal problems and promote research and development projects;
13. Calls on the Commission to make available, within the framework of a European industrial policy, additional resources for the following purposes:
- (a) implementation of a research programme both in the field of new and alternative sources of energy - with particular emphasis on non-pollutive coal refining - and in that of cost reduction in energy saving investment, with special reference to steel production,
 - (b) extension of cooperation with the developing countries,
 - (c) development of economic relations with the East European states,
 - (d) coordination and intensification of research and development efforts in the Community, above all in the fields of steel production, quality improvements and quality control, special steels and further treatment of steels, recycling and non-pollutive technology, as well as the humanization of work, in particular communication in the field of steel research must be improved, to avoid costly 'multiple' research,
 - (e) national aid for development projects and research should not be included in the EEC aid code. Abuses should however be prevented,
 - (f) to devote particular attention to activities and investments which encourage the use of steel;
14. Calls on the Commission to introduce, or apply more forcefully the following measures taking account of the abovementioned efforts towards economic recovery and the development of a comprehensive industrial policy;
- (a) maximum utilization of all Community financial instruments, together with those of the ECSC, which need to be considerably strengthened,

(b) support for the industrial conversion efforts made by individual Member States and undertakings as part of the programmes which are particularly concerned with the effects of the restructuring of the steel industry,

(c) intensification of Community efforts in all regions which are most severely affected by restructuring measures, through prompt implementation of the plan to increase the resources of the EEC Regional Fund and in particular the non-quota section in the framework of integrated regional development programmes; special consideration should be given in this context to frontier regions within the Community, peripheral regions and those with a strongly marked dependence on a single coal and steel structure.

With regard to the Lorraine-Saar-Luxembourg coal and steel area, a frontier region which has come under heavy strain in the course of its history, the Commission should devise a special cross-frontier assistance programme, to run for ten years and to provide, in addition to special aid and incentive measures, the services of a Commission 'agency' for consultation and assistance in the implementation of what should be a model inter-regional programme,

(d) assistance to these regions through appropriate economic pump-priming by means of public works projects and medium-term future-oriented investment programmes,

(e) the provision, at as early a juncture as possible, of a comprehensive survey of the possibilities open to the Community with regard to the conversion of undertakings - in which the instruments provided by the ECSC should be suitably associated with the other resources available to the Community and placed at the disposal of all those concerned,

(f) appreciable increase in low-interest loans under the ECSC Treaty, plus the provision of low-interest credit under the New Community Instrument NCI (the 'Ortoli facilities');

15. Looks to the Commission and Council given the high level of borrowing by the European steel undertakings undergoing a restructuring process, to devise and implement as soon as possible a suitable plan for a Community debt rescheduling operation which must result in an acceptable level of interest charges.

16. Calls on the Commission and others responsible to make greater efforts in the spirit of the ECSC Treaty to safeguard the living standards of workers in the steel industry and to safeguard and improve working and living conditions. The same applies to the rights of co-determination and participation by workers and their trade unions and systems for suggested improvements by workers, workers' inventions and accident prevention.

The Commission is instructed to submit as soon as possible a directive for the European Community on the rights of workers in relation to inventions and improvements suggested by workers which should be accompanied by a report on the progress reached and developments in this field in the industrialized nations, in particular in Japan and the USA. It is suggested that a fund or foundation to promote these aspects should be set up at Community level and to evaluate workers' inventions which are not used by the firm with an annual award (the European Prize for Worker Inventors). There must be participation by workers and their unions;

17. Considers it necessary that the Commission, the steel companies and their associations, working together with established well-qualified institutes, should take concrete steps to improve management, such as in the fields of finance, marketing, personnel and advanced methods of cooperation with workers and their unions, use of research findings, energy conservation and recycling, technology and quality control. A further aspect is the development of information channels organized by the Commission and the firms' associations in those industrial countries which are ahead in the above-mentioned areas;
18. Requests the Commission, the Council and the undertakings, with participation by workers and their unions, to implement a Community action plan on a broad band of vocational retraining measures for workers in steel companies and associated areas, to create without delay the organizational and legal prerequisites within the framework of the fundamental provisions of the ECSC/EEC Treaty and to provide the necessary financing with the aim of providing as many workers as possible with a vocational qualification or higher vocational qualification;

19. Recommends that the exchange of information and cooperation between the Community and the OECD in the steel sector should be developed and intensified in order to arrive at a coordinated steel policy - long-term investment planning, demand prediction, avoiding major mistakes in investment, safeguarding long-term marketing and employment better working conditions.

The Commission and the European Parliament's Committee on Economic and Monetary Affairs are instructed to take steps in this direction and submit appropriate proposals.

Parliament instructs its Committee on Economic and Monetary Affairs to draw up an own-initiative report on this subject;

20. Expects the Commission to inform all those involved in the steel sector - the Economic and Monetary Affairs Committee of the European Parliament, firms and workers and regional governments or authorities in the steel areas - in good time and in detail of its preparatory and investigation work, and any decisions about to be taken by the Commission and its agencies on the plans submitted for restructuring the steel sector and the social and regional support measures to enable them to express their opinions and for these to be taken into account.

The same applies to the period of implementing restructuring and support measures;

21. Advocates after due consideration of all aspects and foreseeable trends, that steel crisis management under the ECSC Treaty - above all the quota arrangements in Article 58 - should be continued until 1985 on the basis of voluntary arrangements to prevent discrimination against firms willing to restructure, to ensure European solidarity by a fair apportionment of the burden and to restore balance to the European steel market;
22. Emphasizes the importance of safeguarding and developing economic and trade links in the steel sector between the European Community and the USA, the Western industrialized states and the newly industrialized countries on the basis of GATT rules and OECD agreements with the aim of securing fair competition for the benefit of all those concerned.

To this end the Commission should organize regular talks between those involved to ensure a steady mutual flow of information, to promote the exchange of information and, if necessary, initiate appropriate action;

23. Instructs the Commission to present a summary of the studies, programmes and measures implemented or planned since 1975 on the basis of Article 46 of the ECSC Treaty and at the same time to comment on the outcome; the same applies to sections (4) and (5) of the third paragraph of Article 46.

At the same time the Commission should state whether and to what extent the involvement of the accredited representatives of workers and consumers in the governing bodies of producer associations or advisory committees attached to them has taken place in accordance with the third paragraph of Article 48 of the ECSC Treaty;

24. Appeals most strongly to the undertakings in the steel sector (manufacturers, dealers, processing firms) to pay greater attention than hitherto to consistent adherence to Community steel crisis management procedures in their own ranks and to fair competition on the internal Community market in relation to both import and export transactions. It is proposed that the Commission and the appropriate associations should register serious violations or severe misconduct and publish these quarterly with an indication of the sanctions imposed.

25. Instructs the Commission and Council to prepare, in collaboration with the Committee on Economic and Monetary Affairs, and hold as soon as possible the steel conference, which was proposed by the European Parliament on 18 November 1982 and has since received the unanimous support of the ECSC Consultative Committee, with the participation of representatives of the Council, the Commission and European trade unions and employers associations in the steel sector;

26. Draws express attention to the demand formulated in its resolution of 18 November 1982 that, given the worsening crisis and the vital decisions to be made, the Commission and Council should in the course of the next 12 months furnish the Committee on Economic and Monetary Affairs promptly and comprehensively with regular reports, both written and oral, on the current situation, the foreseeable developments in the steel sector and the planned measures relating thereto, and the

decisions of the Commission, the Council, governments, steel undertakings, as well as those taken within the framework of EUROFER and EISA;

27. Instructs its President to forward this resolution to the Commission, the Council, the Governments and Parliaments of the Member States and to the ECSC Consultative Committee.

EXPLANATORY STATEMENTI. General remarks

1. This explanatory statement deliberately concentrates on the essential matters and important data. The Commission has, by means of regular reports and excellent records, particularly in the 'General objectives for steel 1985', provided comprehensive sources of information on the situation and development of the steel industry in the Community and throughout the world, so that a sensible approach calls for an explanatory statement concentrating on the gist of the problem. The following are annexed to this explanatory statement :

- a resumé of the 'General objectives for steel 1985' drawn up by the Commission; these objectives must, under the ECSC Treaty, be laid down for the development of the steel sector in the Community;
- important statistical data;
- the document on Commission Decision No. 230/81/ECSC of 7 August 1981 establishing Community rules for aids to the steel industry (aid code).

II. The European Parliament's involvement in this matter at present

2. The European Parliament has taken note of the following :

- the current decisions adopted by the Commission of the European Communities, on the basis of the application of various articles of the ECSC Treaty, for the purpose of solving the steel crisis in the Community;
- the actual course of the crisis in relation to the following factors :
 - the market situation;
 - full use of capacity;
 - development of employment;
 - the financial situation of undertakings and
 - consequences as regards regional and social policy;

- the Commission's forecasts drawn up in the 'General objectives for steel 1985'.

3. The Committee on Economic and Monetary Affairs

- held a hearing of experts and
- drew up a resolution following detailed discussions.

4. The choice of date for this own-initiative report and the increased involvement of the Committee on Economic and Monetary Affairs has to do with the fact that the period up to 30 June 1983 is crucial as regards the fate of the restructuring of the Community steel industry, although not as regards

- the existence of the steel industry in the European Communities and
- the continued existence and further development of integration within the European Communities, because :

- (a) all national aids were to be notified to the Commission by 30 September 1982;
- (b) the restructuring plans for undertakings were to be notified to the Commission by 31 March 1983;
- (c) the 'General objectives for steel 1985' proposed by the Commission form the basis of the Commission's decision.

III. Tasks of the Commission of the European Communities as the institution implementing the Community steel policy laid down in the ECSC Treaty

5. The Community Member States cannot manage without their own steel production. It is an essential link in the production chain of the reprocessing industry based on it. Europe must not place itself in a dependent position owing to a preponderance of imports. Over half a million jobs are directly involved.

As far as the Council, Commission and European Parliament are concerned the steel sector must remain a key industry. It must be rationalized in order to perform as efficiently as possible its function as a basic part of a radically changing industrial system. With the exceptions of the national economies of Denmark and Ireland, the steel industry is the key industry in all other countries of the Community. All these countries are therefore affected by the crisis.

6. The existence of the Community market in steel for over 30 years represents the nucleus of the Community's economic growth. Essentially, it has allowed the development of trade between the countries of the Community and with the outside world. The narrow limits of national markets would have been an obstacle to specialization and to an increase in productivity as well as to an improvement in the living and working conditions of workers.

7. The Treaty of Paris, signed in 1951, establishing the European Coal and Steel Community (ECSC) freed the strategic sector of steel from the traditional rivalries between States intent on superiority and placed it under the control of a common authority. Even today common action and decision-making within the ECSC make it easier to deal jointly and more effectively with the steel crisis.

8. The European steel crisis has now been in existence since about 1975. It is lasting longer than even pessimists expected. It is by no means a short-term economic problem but increasingly a structural problem. Only a return to the high demand for steel in the years preceding 1974 could conceal, for some time, the short-term economic problems of the European steel industry, which are as follows :

- obsolete plant;
- productivity lagging behind Japan;
- considerable surplus capacity;
- spending of capital and heavy debts.

In the unjustified hope of an appreciable new increase in the demand for steel some national governments tried to cover operating losses with subsidies. This led to distortions of competition and encouraged a wait-and-see attitude towards the efforts necessary to re-establish competitiveness.

In contrast to this, numerous Commission studies - which are summarized in the 'General objectives for steel 1985' have led to the realization that there is little hope in the foreseeable future of an appreciable new increase in the demand for steel.

In view of these forecasts it would be pointless to continue the practice of granting subsidies. Europe cannot, in the long term, pursue a policy of expensive or subsidized steel. The costs of such a policy are reflected in

some form in the other branches of the economy via prices or taxes and thus prejudice their chances of development. The consequences at international level would be intolerable : subsidies without the prospect of repayment would not be accepted by our trading partners; in order to protect excessive selling prices the frontiers would have to be closed to foreign steel. The result would be a trade war in which the European steel industry would suffer damage. In fact, Europe still exports almost three times as much steel as it imports. In general, however, Europe's relative prosperity is dependent on trade with the rest of the world, its imports of raw materials and its exports of industrial products.

9. For this reason the Council and Commission have rightly recognized that the solution to the steel crisis must be tackled from its very foundations. Accordingly a return to genuine financial and social equilibrium and an improvement in competitiveness requires the establishment of long-term stability between demand and production capacity and an increase in productivity.

This can only be achieved by :

- modernization of production plant;
- reducing capacity, especially by the closure of obsolete plant;
- restructuring and cooperation plans linked to social flanking programmes and regional support measures.

In the long term this policy should also give industries dependent on the steel industry an opportunity to obtain supplies at prices comparable to those of their most efficient competitors and thus to retain a maximum number of jobs.

10. In the steel sector the Commission is, on the basis of Council decisions, under a duty to :

- (a) ensure that proposed investments are consistent and that they are properly financed, having due regard to the 'General objectives for steel' and to the European competition rules.
- (b) for this purpose all investment plans must be notified to the Commission. They must be formally examined to ensure that they are compatible with the objectives of competitiveness and financial stability.

- (c) State aid to undertakings may only be granted if the recipient sets in motion a coherent and specific restructuring programme.

The aids must ensure that :

- the competitiveness of the undertaking concerned is re-established;
- that it is made financially viable once more under normal market conditions;
- a reduction in the total production capacity of the undertaking is ensured;
- no expansion of capacity is planned in respect of products without increasing sales prospects;
- the amount and rate of the aids can progressively be reduced;
- no distortions of competition are caused and trading conditions are not altered in a manner contrary to the common interest.

All proposed national aids must, for this reason, be notified to the Commission by 30 September 1982 and restructuring plans relating to undertakings must be notified to the Commission by 31 March 1983. The Commission must decide on these by 30 June 1983.

11. In addition, the Commission has at its disposal a number of instruments for regulating the market.

- (a) Prices : In order to limit the drastic decline in returns, regulated price increases were necessary. According to the sensitivity of each product binding minimum prices or guide prices were therefore fixed in the period from May 1977 to July 1980.

In conjunction with the binding or voluntary restrictions on production it was possible, following this, to return to strict application of the provisions contained in Article 60 of the ECSC Treaty, which prohibits unfair and discriminatory practices in connection with prices and conditions of sale. As from 1 July 1981 these price rules were extended for a period of three years to steel marketing undertakings, traders, stock-keeping, etc.

- (b) Quantities : It is unlikely that steel undertakings will themselves voluntarily adjust production to a long-term reduction in demand. Producers with surplus capacity are inclined to produce additional quantities in order better to pass on their overheads.

To ward off these attempts voluntary or compulsory production restrictions are necessary with which all undertakings, jointly and severally or with administrative control, comply or must comply. In the case of some products, such as for example heavy plates or small steel girders, the Commission has been able to achieve voluntary production restrictions.

In agreement with the Council the Commission, pursuant to Article 58 of the ECSC Treaty, laid down binding restrictions on the production of many steel products as long ago as 1980. This quota system is a visible sign of the gravity of the steel crisis and requires strict controls. This system has been extended and will probably have to be maintained until at least 1985. Approximately 80% of Community steel production is at present affected by it.

- (c) Safeguarding of the economy against external influences : The European Communities export more steel than they import. The maintenance of fair trade with the world at large is thus an important condition for the maintenance of the level of steel production within the European Communities. This does not, however, mean that the reaction to uncontrolled steel imports from third countries and an increase in the instability of the market within the Community, already badly upset, should be to do nothing about these disturbances of the market and employment. For this reason, as early as 1977 a system for monitoring imports was introduced. At the same time it was however intended to ensure that this did not give rise to any damage to the maintenance of traditional trade flows. Agreements have therefore been concluded since 1978 with the most important supplier countries. In these circumstances the Community's steel imports have stabilized in the last few years at a level of approximately 11 million tonnes per annum whilst European steel exports have still amounted to approximately 30 million tonnes.

It was possible, by means of these three main measures, to make some progress towards preserving an artificial balance on the market between the demand for and the supply of steel. The dangers latent in the steel crisis for the unity of the European market seem to a great extent to have been warded off by them.

12. In addition to the prohibitions and requirements laid down by the Commission a number of further measures are being introduced to accelerate the necessary restructuring, on the one hand, and to make good the consequences of the difficult process of the adjustment of steel undertakings to the drastically changed situation on the steel market, on the other. They have not yet achieved the necessary quantity and quality. In some cases they are hardly beyond the stage of declarations of intention. Since to a large extent financial support measures are involved here, the reason why they are not effective enough is that the Council is unwilling to provide sufficient finance for them :

- (a) Community financial aid for modernization : The ECSC grants loans to facilitate investment in the steel industry, especially in the form of loans at reduced rates of interest. In addition, there are loans from the European Investment Bank and aids to scientific research in the steel sector. In the period from 1975 to 1981 the Communities spent 3098 million ECUs on the first category, 349 million ECUs on the second and 120 million ECUs on the third.
- (b) Social flanking measures : Thorough restructuring of the European steel industry in the countries and regions badly affected can, however, only be successful if a solution is found to the serious social problems which result for the workers affected. So far they have borne the brunt of the steel crisis. The Community is only one of several authorities responsible for solving these problems. The steel undertakings themselves, national governments, regional authorities, social insurance institutions and unions are required to act at the same time and on the same level in this connection and must be included. It is quite understandable that at the hearing of 16.3.1983 the Liaison Office of the Unattached Unions, Miners and Metalworkers in the European Communities, Luxembourg, submitted in this connection an extensive list of demands to all those responsible.

Its proposals included :

- the reduction of the age limit for steel workers to 55 years without a reduction in pension,
- shorter working hours with many suggested variations, especially some relating to the steel industry, in particular a fifth shift and a 35-hour working week;

- guarantees for an undiminished social plan policy with a system of equalization between undertakings;
- safeguarding of status and earnings where workers move from one job to another;
- numerous proposals for training, further training and retraining.

The unions are understandably trying to link their demands to State subsidies by means of corresponding conditions which are effective as regards employment. To what extent this can be guaranteed will depend upon sensible coordination of the whole management of the steel crisis within the Community and at national level.

The remedial measures so far taken by the Community are as follows :

- in the first place, retraining loans were granted to facilitate the re-employment of former employees of the steel industry and coalmines. From 1975 to 1981 a total of 1,200 million ECUs were made available.
- in non-repayable aids for the re-absorption of former steel workers, and in 1982 an additional 117 million ECUs.
- since 1981 a contribution has also been granted to the financing of early retirement and short-time work.

The considerable loss of jobs predicted will make it necessary for the Commission of the European Communities to commit itself further from a financial point of view and to take more measures. It has already developed plans in this connection which are to be adopted by the Council immediately.

- (c) Activation of regional policy for steel producing regions : If the social flanking policy is intended to alleviate or solve the individual problems of workers, regional policy is required to counter the direct consequences of the drastic loss of jobs for the regional labour markets. This applies to older workers and particularly to young people just coming up to working life for whom it has so far been impossible to offer opportunities for the future in the steel-producing regions. In addition to the special responsibility of the relevant national economic and regional policies, Community regional policy is also required here. The previous facilities offered by the Community

Regional Fund are by no means sufficient any longer. Special importance is therefore attached to considerable increases in the resources of the non-quota section of the Community Regional Fund which must be used concentratedly and effectively in integrated regional development programmes, especially for the creation of replacement jobs, occupational training measures and the development of the infrastructure; workers and their unions must be included in this.

IV. Prospects for a European steel policy

13. In spite of the fact that some results have already been achieved in the stabilization of the Community steel market and in spite of the instruments which have been used in the meantime on the basis of relevant articles of the ECSC Treaty or special Council decisions, the impression remains that the combination of measures has been purely auxiliary. In particular there is still no mutual agreement, as regards

- subject-matter,
- time,
- solidarity,
- organization and
- financing,

on a coherent overall plan in the Community steel policy.

As an example of the mutual agreement necessary the following should be mentioned :

- (a) joint action as regards plant to be retained or modernized;
- (b) parallel action as regards restructuring and reorganization, on the one hand, and retraining and the creation of replacement jobs in the areas affected, on the other, as well as the solution of the resulting social problems for workers affected by loss of jobs or short-time work;
- (c) the financial situation of undertakings must be stabilized with State aids and, in spite of the essential conditions which must be laid down by the State, undertakings must remain solely responsible;

- (d) stabilization of the steel market must be achieved whilst preserving the common market and retaining trade relations with third countries;
- (e) the financial bottlenecks of the steel undertakings jeopardize their ability to carry out research and to innovate. National and Community support should keep up these research and development activities and, as regards the urgent need for innovation, increase them.

A procedure going beyond the institutions and including

- the Council and Commission of the European Communities
- national governments
- regional authorities
- undertakings and
- trade unions

must reconcile all these mutual dependencies and needs for agreement. In this connection the main objective is to restore a balance between demand and supply as well as security of employment after 1985.

14. The 'General objectives for steel 1985' should be directed to the prospects of restoring balance in the steel market. The hearings held by the European Parliament on 24 February 1983 and 16 March 1983 have resulted in some criticisms of them. Some of these have been included in the text of this resolution. It is particularly necessary to complete the 'General objectives for steel' by including regional and social policy aspects. In addition, an analysis of the effects on the possible increase in the demand for steel of the demand for an 'economic and employment offensive', which has already been made in the resolution of the European Parliament of 18 November 1982 and adopted in this resolution should be supplied. Not only the scope and permanence of any replacement jobs and the alleviation of regional and social problems depend on this, but also the effective combating of high unemployment and the progressive re-establishment of full employment in the European Community.

SUMMARY

The ECSC Treaty confers on the Commission the task of defining the General Objectives which provide guidance on the development of the steel industry in the Community. This guidance takes account of the situation in the internal market, the state of the production installations, constraints imposed by the economic situation and the pressure of international competition.

The excess of supply over demand, pushing up costs and causing prices to plunge below the break-even point in many companies, and the cut-throat competition on export markets have seriously eroded the financial viability of the European steel industry. As a result the Commission has had to take a number of measures designed both to prevent the situation deteriorating into a state of anarchy that could nullify the very concept of a common market (and which is the reason behind the measures taken pursuant to Article 58 of the ECSC Treaty), and to set in place the mechanisms to adapt the structure of the industry to the new situation.

The strategy to be followed in this process of change will of course have to be realistic but the current weakness of the industry also demands a positive orientation.

It will be based on :

- an analysis of the foreseeable trends in demand from the main user sectors, in international competition and in production techniques, which are of vital importance in this context;
- examination of the factors that will help restore economic efficiency and financial viability to the companies involved.

The structural nature of the crisis is obvious from the foreseeable development up to 1985 of the factors governing the industry's activity. Beyond 1985 forecasting becomes more difficult as the macro-economic factors that can play an important role are not sufficiently well defined to allow their impact on the steel industry to be properly assessed; however, it already seems clear that the situation will not be fundamentally different from that foreseen for 1985.

The foreseeable balance between supply and demand is still very unsatisfactory; despite the rationalization that has already taken place, and, also, because of the improvements made, and needed, in productivity, the surplus capacity already evident in 1980 will be even greater in 1985, if the present stagnation in demand continues, if it is not substantially reduced by the policy of restructuring and the application of the aid code.

It would amount to about 29% of crude steel production capacity, and about 33% of finished product capacity, figures which are obviously unacceptable if the industry is to be economically viable and which certainly cannot be offset by measures to control the market.

The combination of low economic development and the continuing decline in specific steel consumption means that even the most cautious forecasts made up to now have to be corrected downwards. In 1985, foreseeable consumption of finished products in the Community is likely to be around 93 million tonnes

For external trade, the positive net balance of trade in ECSC finished products is likely to remain close to 12 million tonnes.

Whether expressed in terms of quality or price of the products passing down the chain of industrial production, or in terms of the relative yield on the capital invested in plant and production, the persistence of inefficiency in one industrial sector will extend its influence over other sectors hindering their ability to adapt and thus reducing the chances of a general recovery.

A true balance can be achieved only by taking parallel and interdependent action on the structures of the industry, in two ways: firstly, modernization and rationalization to increase productivity and increases in the production of higher value products, and secondly, stopping of marginal plant so as to mobilize capital and eliminate the surplus supply that has repercussions on the whole of the industry.

Although definite progress has been made in the way of productivity and modernization (1), this cannot bear its full fruit unless the closing down of marginal plant is carried farther than it has been up to the present, or even as planned in the restructuring and redevelopment projects currently being drawn up by the companies.

The stimulation of this effort is based on the ways and means offered by the ECSC Treaty to give new impetus to an industry that is vital to the

(1) Communication from the Commission to the Council on the steel restructuring policies, COM (81) 67 final of 25 February 1981.

in the context of an integrated internal market.

Community, In addition the task assigned by the EEC Treaty calls for tighter coordination between the steel policies and the other common policies and activities. The latter have focused more and more on the need to continue the structural adjustment to the new economic and industrial context, as re-affirmed in the Commission's proposals for the establishment of an industrial strategy at a Community level (1).

The Commission must then see that discipline is maintained to encourage a sense of common purpose directed not towards conservation but towards revitalizing the system.

To this end, competitiveness is the main indicator in evaluating "the most rational distribution of production at the highest possible level of productivity" in accordance with Article 2 of the ECSC Treaty. It is by concentrating resources on production strong points that the essential improvement in the average competitiveness of the Community steel industry can be attained.

This improvement must be measured against realistic references in terms of costs and prices. Over and above the levels, especially of prices, set in support of the restructuring effort, it is necessary to take into account the reference levels established by the most efficient competitors.

A new policy must be established around these economic references:

- firstly by the companies which must have the strength of purpose to bring about the convergence of strategies, towards an adjustment to real demand;
- by governments, whose intervention must be in support of the restructuring effort, as they cannot afford to pour cash into supporting a fundamental structural inefficiency;
- focussing all the instruments of Community cohesion (crisis measures, aid code, financing, commercial policy, regional and social measures) more closely on objectives better adapted to the needs of the present situation.
- by the governments and the Community to implement reconversion plans which are indispensable for employment and regional development.

In the Commission's view, it is under these conditions that the possible synergies between the different parties involved can allow a defensive sectoral attitude to be transformed into a steel strategy commensurate with the challenges facing it.

(1) COM (81) 639 final/2 of 29 October 1981.

ANNEX 2

REAL CONSUMPTION OF FINISHED PRODUCTS IN THE COMMUNITY, BY SECTOR

TABLE 3

('000 000 tonnes)

	1978	Forecast 1985	Mean annual variation between 1978 and 1985 (%)	Mean annual variation between 1978 and 1985 with a constant specific consumption (%)
Preliminary processing	20,8	22,2	0,89	0,62
Manufacture of steel tubes	14,1	15,5	1,31	1,37
Mechanical engineering	7,3	7,5	0,35	1,31
Electrical engineering	2,5	2,3	-1,00	1,07
Shipyards	1,5	0,9	-6,21	-1,38
Vehicle construction	10,7	9,7	-1,45	-0,17
Building and civil engineering	9,2	8,4	-1,31	0,22
Manufacture of metal articles	20,0	19,5	-0,40	0,86
Other users	6,6	6,2	-0,77	0,37
TOTAL	92,8	92,2	-0,09	0,72

TREND IN APPARENT CONSUMPTION OF FINISHED STEEL PRODUCTS AND BRANCH ACTIVITIES IN THE COMMUNITY

TABLE 2

Indices: 1975 = 100

	Index of activity in steel using sectors (1)	Apparent steel consumption finished products	Index of industrial production	GDP
1971	101,2	103 *	96,9	90,4
1972	104,5	109 *	99,1	94,0
1973	112,0	120 *	106,5	99,5
1974	112,9	120,0	107,1	101,3
1975	100	100	100	100
1976	106,8	113,1	107,4	105,1
1977	106,8	107,3	109,9	107,5
1978	108,9	106,4	112,5	110,9
1979	113,1	114,4	118,1	114,6
1980	109,6	108,7	117,1	115,9
1981	105,6	105 *	114,5	115,3
1985	113,6	106,0	-	127,2

(1) Index weighted by real steel consumption in the different sectors in 1978.

* 1975 = 100

WORLD STEEL PRODUCTION AND CONSUMPTION

TABLE 5

('000 000 tonnes)

	Production (crude steel equivalent)			% annual average growth		Apparent consumption (crude steel equivalent)			% annual average growth	
	1975	1980	1985	1980	1985	1975	1980	1985	1980	1985
				1975	1980				1975	1980
Western Europe (excluding EEC)	29,4	33,8	35,0	+ 2,8	+ 0,7	36,2	34,5	35,0	- 1,0	+0,3
Eastern Europe	192,7	209,2	220,0	+ 1,7	+ 1,0	194,7	210,4	220,0	+ 1,6	+0,9
Africa	7,8	10,7	13,0	+ 4,6	+ 4,0	13,4	15,9	18,0	+ 3,5	+2,5
Middle East	1,2	2,7	5,5	+17,9	+15,3	14,5	17,0	20,5	+ 3,2	+3,8
Japan	102,3	111,4	110,0	+ 1,7	- 0,3	64,8	74,3	80,0	+ 2,8	+1,5
China/North Korea	26,8	42,9	50,0	+ 9,9	+ 3,1	31,4	49,1	54,0	+ 9,4	+1,9
Rest of Asia	12,5	24,5	32,0	+14,5	+ 5,5	21,4	37,8	46,0	+12,1	+4,0
U S A	105,3	101,7	110,0	- 0,7	+ 1,6	115,8	114,8	124,0	- 0,2	+1,6
Canada	13,0	15,9	17,0	+ 4,1	+ 1,3	13,3	13,3	13,5	-	+0,3
Latin America	18,6	28,8	34,5	+ 9,1	+ 3,7	29,6	36,6	37,0	+ 4,3	+0,2
Oceania	8,1	7,8	8,5	- 0,6	+ 1,7	6,4	7,0	8,0	+ 1,8	+2,7
EEC	125,2	127,7	124,0	+ 0,4	- 0,6	98,6	103,8	103,5	+ 1,0	-0,1
TOTAL	643,0	716,1	759,5	+ 2,2	+ 1,2	640,1	714,5	759,5	+ 2,0	+1,2

Product definition: United Nations.

NET STEEL TRADE BALANCES
('000 000 tonnes)

TABLE 6

	1975	1980	1985
Western Europe (excl. EEC)	- 6,8	- 3,7	0
Eastern Europe	- 2,1	- 1,2	0
Africa	- 5,5	- 5,2	- 5,0
Middle East	- 13,3	- 14,3	- 15,0
Japan	+ 37,5	+ 37,1	+ 30,0
China/North Korea	- 5,1	- 6,2	- 4,0
Rest of Asia	- 8,9	- 13,3	- 12,0
U S A	- 10,5	- 13,1	- 14,0
Canada	- 0,3	+ 2,6	+ 3,5
Latin America	- 11,0	- 7,8	- 2,5
Oceania	+ 1,7	+ 0,8	+ 0,5
EEC	+ 26,6	+ 23,9	+ 20,5

Product definitions: United Nations - = net importer
+ = net exporter

THE COMMUNITY'S NET BALANCE OF TRADE WITH NON-MEMBER COUNTRIES

TABLE 7

('000 000 tonnes of finished products) (1)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1985
Ingot and semis	-0,4	-0,2	1,4	-0,3	-0,9	-0,9	-0,9	-0,3		-0,5
Hot coils	-0,1	0,2	0,6	-0,8	1,3	2,7	2,3	2,1		2,5
Heavy sections	2,3	3,1	2,6	1,9	2,1	2,5	2,0	1,8		1,5
Light sections	3,0	5,2	3,4	2,2	2,2	3,3	3,5	2,4		1,9
wire rod	1,3	1,8	1,0	0,3	0,6	1,0	1,1	0,8		0,8
Strip	0,4	0,4	0,3	0,2	0,4	0,4	0,5	0,5		0,3
heavy and light plate	0,8	1,7	0,8	-0,2	0,6	1,6	1,2	0,9		0,9
Uncoated sheet	2,8	3,9	3,0	1,7	3,6	4,3	3,4	3,5		2,7
Coated sheet	2,0	2,1	1,6	1,5	1,7	2,0	1,9	1,5		2,2
TOTAL	12,1	18,1	14,7	6,7	11,5	16,9	15,3	13,2	16,9*	12,1

(1) ECSC Products

PRODUCTION 1974 — 1980 & 1985

LIQUID STEEL FOR CASTING, INGOTS AND SEMIS FOR SALE, FINISHED ROLLED PRODUCTS

TABLE 8

('000 000 tonnes)

PRODUCTS	1974	1975	1976	1977	1978	1979	1980	1981	1985
STEEL FOR CASTING (1)	2,1	2,0	1,8	1,6	1,6	1,6	1,6	1,4	1,4
INGOTS AND SEMIS FOR SALE (2)	10,5	11,0	9,7	9,1	11,3	11,5	11,1	12,0	9,1
FINISHED ROLLED PRODUCTS									
Coils (finished products)	8,4	7,2	8,6	10,0	12,0	12,6	11,9	14,1	12,9
Heavy sections	10,5	8,9	9,0	8,7	9,3	8,8	8,4	8,5	7,2
Light sections	25,5	19,8	20,6	19,0	19,4	21,1	19,6	17,0	17,2
of which concrete reinforcing rounds	(9,9)	(7,9)	(8,6)	(7,7)	(7,7)	(8,8)	(8,7)	(7,4)	(7,3)
Wire rod	12,8	9,2	10,4	10,2	11,1	12,1	10,8	10,5	11,0
Strip/tube strip	8,2	5,5	7,1	6,4	6,6	7,1	6,0	5,2	4,9
Heavy and medium plate	17,6	14,5	12,5	12,3	12,6	13,0	12,5	12,8	12,3
Sheet	29,3	21,7	26,8	27,4	28,0	29,2	26,3	26,1	24,3
TOTAL	112,4	86,9	95,0	94,0	99,0	104,0	95,5	94,2	93,8
GRAND TOTAL	124,9	100,0	106,5	104,7	111,9	117,0	108,2	107,7	104,3

(1) Including production of independent steel foundries.

(2) Excluding those for rolling or re-rolling in the Community, but including ingots and semis for tubes.

TRENDS IN SURPLUS PRODUCTION CAPACITY

TABLE 14

('000 000 tonnes and %)

Year	1974		1975		1976		1977		1978		1979		1980		1981	
	t	%	t	%	t	%	t	%	t	%	t	%	t	%	t	%
CRUDE STEEL	-4,0	-2,2	42,0	22,1	39,9	20,2	52,3	26,1	46,1	22,8	37,9	18,6	52,1	23,7	50,3	25,4
FINISHED PRODUCTS																
heavy sections and heavy sections (or semis)	0,4	0,8	11,7	23,0	11,8	22,9	13,2	26,3	12,6	24,9	9,6	19,6	12,1	24,7	15,9	31,6
rod	-0,6	-3,9	5,0	30,7	3,7	22,2	4,8	27,3	4,8	24,3	3,1	16,4	4,8	25,1	6,0	30,8
and tube strip	0,6	5,5	4,1	37,3	3,0	25,2	4,0	33,3	4,1	33,1	3,2	26,2	4,0	34,8	4,6	40,4
rolled sheet & plate	0,3	1,3	5,7	23,7	9,2	36,7	10,8	40,9	11,3	41,2	9,9	35,5	10,2	37,1	9,6	34,8
cold rolled sheet & plate	1,8	4,8	13,5	33,4	8,0	19,4	8,8	20,6	8,2	19,1	7,5	17,1	11,6	26,1	11,4	25,9
hot rolled sheet & plate	2,3	1,7	39,8	27,9	35,6	24,3	42,0	28,2	41,0	27,0	33,6	22,1	42,8	28,3	47,3	31,1
MILLS	-1,5	-2,7	18,5	30,2	9,6	15,2	12,0	17,9	9,3	13,7	7,9	11,3	16,0	21,9	14,9	20,3

The assumed utilization rate is 85% for crude steel and 80% for finished products.

TECHNICAL LEVEL OF STEEL PLANT IN THE COMMUNITY AND IN JAPAN IN 1980 (*)

TABLE 15

Type of plant	E E C	Total capacities examined (million tonnes)	% of capacity classified as:				
			1+ (excellent)	1-	2+ (average)	2	3 (poor)
BLAST FURNACES	E E C	132,8	20	13	12	22	32
	JAPAN	156,1	58	15	12	7	8
OXYGEN CONVERTERS	E E C	53,6	36	37	23	5	0
	JAPAN	64,6	51	35	10	4	0
HOT STRIP MILLS	E E C	70	23	16	32	24	5
	JAPAN	53,6	42	31	9	12	5
FLAT ROLLING MILLS	E E C	15,2	20	8	24	35	13
	JAPAN	21,2	82	10	8	0	0
HOT ROLLING MILLS	E E C	34,2	8	26	29	27	10
	JAPAN	23,2	44	23	10	17	6

In some cases the most recent data available on mills date from 1977.

BALANCE BETWEEN SUPPLY AND DEMAND - 1985 - EUR 9

TABLE 16

('000 000 tonnes)

Products	Product 1980	Prod. potent. 1980	Prod. 1981	Prod. potent. 1981	Estimated Prod. 1985	Necessary Prod. pot. 1985 (1)	Prod. pot. announced 1985	Rate of utilization			Surplus capacity 1985	
								1980	1981	1985	Tonnage	%
CRUDE STEEL	127,7	202,5	125,1	197,7	119,7	140,8	197,0	63,1	63,3	60,8	56,2	28,5
FINISHED PRODUCTS												
heavy sections	8,4	15,7	8,5	16,0	7,2	9,0	15,6	53,5	53,2	46,2	6,6	42,3
light sections	20,9	18,1	9,5	18,3	9,7	12,1	19,6	60,1	51,9	50,0	7,3	37,6
concrete reinforcing rounds	8,7	12,2	7,4	13,0	7,5	9,4	12,4	71,2	57,0	60,5	3,0	24,2
wire rod	10,8	19,1	10,5	19,5	11,0	13,8	19,7	56,6	54,0	55,8	5,9	29,9
strip	6,0	11,5	5,2	10,9	4,9	6,1	10,7	52,2	47,6	45,8	4,6	33,0
which EX SPEC. MILLS	(4,3)	(7,9)	(3,4)	(7,1)	(2,5)	(3,1)	(6,5)	(54,8)	(48,0)	(38,5)	(3,4)	(32,3)
cold rolled sheet & plate	12,6	27,6	13,0	27,6	12,5	15,6	27,9	45,7	47,1	44,8	12,3	44,1
which EX SPEC. MILL	(9,7)	(19,2)	(10,4)	(19,0)	(7,5)	(9,4)	(19,0)	(50,7)	(56,7)	(38,5)	(9,6)	(50,5)
hot rolled sheet & plate	26,2	44,4	26,0	44,0	28,1	35,1	45,5	59,1	59,0	61,8	10,6	22,9
TOTAL (3)	83,6	148,5	80,1	149,2	80,9	101,1	151,3	56,3	53,7	53,5	50,2	33,2
HOT STRIP	45,3	72,9	46,5	73,4	51,5	64,4	76,5	62,1	63,4	67,3	12,1	15,8
which Coils Fin. Prod.	11,9	(17,2)	(14,1)	(18,6)	(12,9)	(16,1)	(19,5)	(69,4)	(76,2)	(66,2)	(3,4)	(17,4)

Assuming a rate of utilization of 85% for crude steel and 80% for finished rolled products including strip and hot sheet from coils or including coils Fin. Prod.

COMMISSION DECISION No 2320/81/ECSC
of 7 August 1981
establishing Community rules for aids to the steel industry

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular to the first and second paragraphs of Article 95 thereof,

Having consulted the Consultative Committee and with the unanimous assent of the Council,

Whereas :

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It was against the background of the prolonged crisis in the steel industry, which had weakened the financial position of most steel undertakings to a point where they were unable to carry out the restructuring which was needed in particular to adapt capacity to foreseeable demand, that the Commission adopted, on 1 February 1980, its Decision No 257/80/ECSC⁽¹⁾. The essential aim of the Decision was to establish a Community aid system under which specific aids could be accorded to the steel industry for certain defined purposes, provided that they promoted restructuring, were restricted in duration and intensity and did not provoke unacceptable distortions of competition. Aids granted to steel undertakings under regional or general aid schemes remained subject to the combined application of Article 67 of the ECSC Treaty and Articles 92 and 93 of the EEC Treaty.

Since then, the crisis confronting the steel industry has deepened. Demand for most products has fallen and the financial difficulties of the undertakings have worsened. The need for capacity reductions and a restoration of competitiveness has become all the more urgent, especially as Member States are increasingly subject to pressure to aid their industries, first and foremost to keep them in existence, and there is thus an even greater danger that aids may result in price reductions or the maintenance of uneconomic prices, at a time when the restoration of higher price levels is a key requirement for the recovery of the industry.

It has also become clear that if restructuring is to be accomplished in a coherent, equitable and socially acceptable manner, it is desirable to establish a comprehensive Community aid system to take

account both of changed circumstances and of experience acquired in the application of Decision No 257/80/ECSC. Such a system, while retaining the same broad objectives as before, should ensure, by the application of stricter rules designed to phase out aids within a fixed period, that restructuring, including capacity reductions, is carried through with the greater rapidity which the situation now demands. It should also ensure that all aids from which the steel industry may benefit are treated uniformly within a single procedural framework covering both specific aids, that is, those granted pursuant to schemes whose object or effect is principally to benefit steel undertakings, and non-specific aids, including in particular those granted under general or regional aid systems. In addition, it should limit distortions of competition to the minimum. A comprehensive Community aid system on these lines, and including time limits, is an indispensable element in the Community's overall policy for the recovery of the steel industry, together with the elements comprising market stabilization and social measures to alleviate the effects on the industry's workforce of the restructuring efforts.

The Community thus finds itself faced with a situation not specifically provided for in the ECSC Treaty and yet requiring action. In these circumstances, recourse must be had to the first paragraph of Article 95 of the Treaty, so as to enable the Community to pursue the objectives set out in the initial articles thereof.

II

In order to ensure that the essential restructuring of the industry is embarked on without delay and accomplished as quickly as possible, it is necessary to make provision for the progressive reduction and elimination of aids within fixed time limits. These time limits must apply not only to Member States' decisions to grant aid but also to the payment of the aid. It is appropriate also to differentiate between various forms of aid, with a view to placing greater time-constraints on those which are likely to have more damaging effects on competition and to be less effective in promoting restructuring. It is appropriate to incorporate a measure of flexibility in the matter of time limits, so that account may be taken of market developments and any unforeseen adverse effect arising from the application of time limits may be avoided.

⁽¹⁾ OJ No L 29, 6. 2. 1980, p. 5.

It is necessary to ensure that aids are applied solely for the purposes for which they were authorized and that the restructuring measures, including reduction of capacity to which they are linked, are carried through. Although aids are required to enable restructuring to take place, they nevertheless bring with them a danger of significant distortions of competition within the Community. Appropriate monitoring procedures must therefore be adopted, to make sure that aids are not so applied that they will inhibit the restoration of normal market conditions and, in particular, of price levels which will enable the industry to function economically without aid as soon as possible.

The steel industry must carry out the research and development programmes which are vital to its future competitiveness and technical progress. It is necessary to establish appropriate criteria for the assessment of aids for these activities.

When assessing aid no discrimination must be practised between undertakings, notably on account of their ownership, whether public or private. Accordingly, the rules established by this Decision must also apply to any aid elements contained in financing measures taken by Member States in respect of public-sector steel undertakings. These include the provision of equity capital, the setting-off of losses, the foregoing of dividends or of normal returns on public funds or the compensation of financial burdens imposed by public authorities. The Commission's scrutiny of such aid elements cannot result in control by it of the structure of the Member States' economic systems.

III

In view of the intensification of the crisis in the steel industry and the stricter rules which must be applied to deal with it, implementation of this Decision requires closer collaboration between the Commission and Member States, covering both aids whose compatibility with the Treaty raises no problem and those cases giving rise to dispute.

Without prejudice to any measures which may prove to be necessary in the light of future developments, the present economic and social situation in the Community in general and the situation of the steel industry in particular are such that, in order to ensure the orderly functioning of the common market, this Decision should be applied until 31 December 1985,

HAS ADOPTED THIS DECISION:

Article 1

1. All aids to the steel industry, whether specific or non-specific, financed by Member States or through

State resources in any form whatsoever may be considered Community aids and therefore compatible with the orderly functioning of the common market only if they respect the general rules set out in Article 2 and satisfy the provisions of Articles 3 to 7. Such aids shall only be put into effect in accordance with the procedures established in this Decision.

2. The concept of aid includes aid granted by regional or local authorities and any aid elements contained in the financing measures taken by Member States in respect of the steel undertakings which they directly or indirectly control and which do not count as the provision of risk capital according to standard company practice in a market economy.

Article 2

General rules

1. Aids granted to the steel industry may be considered compatible with the orderly functioning of the common market provided that:

- the recipient undertaking or group of undertakings is engaged in the implementation of a systematic and specific restructuring programme covering the different aspects of restructuring (modernization, reduction of capacity and, where necessary, financial restructuring), which programme is capable of restoring its competitiveness and of making it financially viable without aid under normal market conditions,
- the said restructuring programme results in an overall reduction in the production capacity of the recipient undertaking or group of undertakings and does not make provision for an increase in production capacity for the various categories of products for which there is not a growth market,
- the amount and intensity of the aids granted to steel undertakings are progressively reduced,
- the aids in question do not entail distortions of competition and do not affect trading conditions to an extent contrary to the common interest,
- they are approved not later than 1 July 1983 and do not lead to aid payments after 31 December 1985, other than by way of interest rebates or of payments to honour guarantees on loans disbursed before that date.

2. In its examination of the amount and intensity of planned aids the Commission may take account, to the extent to which this is compatible with the objectives of this Decision, of any other aids previously granted to the undertaking concerned and of any restructuring undertaken by it.

3. In taking decisions on applications for aid submitted to it pursuant to restructuring programmes, the Commission shall take account of the special situation of Member States having only one steel undertaking, whose effect on the Community market is minimal.

Article 3

Investment aid

1. Aids in support of investment in the steel industry may be considered compatible with the orderly functioning of the common market provided that:

- the Commission has received prior notification of the investment programme concerned where this is required by High Authority Decision No 22/66 of 16 November 1966 on information to be furnished by undertakings about their investments⁽¹⁾, as amended by Decision No 2237/73/ECSC⁽²⁾, or by any subsequent Decision,
- the amount and intensity of aid are justified by the extent of the restructuring effort involved, account being taken of the structural problems of the region where the investment is to be undertaken, and are limited to what is necessary for this purpose,
- the investment programme takes account of the general criteria for the restructuring of the steel industry defined in Article 2 and of the general objectives for steel, having regard to any reasoned opinion which the Commission may have issued on the investment programme concerned.

2. In its examination of such aids the Commission shall take account of the extent of the contribution of the investment programme concerned to other Community objectives, for instance innovation, energy saving and environmental protection, provided that the rules of Article 2 and of paragraph 1, above, are adhered to.

Article 4

Aid for closures

1. Aids to defray the normal costs resulting from the partial or total closure of steel plants may be

⁽¹⁾ OJ No 219, 29. 11. 1966, p. 3728/66.

⁽²⁾ OJ No L 229, 17. 8. 1973, p. 28.

considered compatible with the orderly functioning of the common market.

2. The costs eligible for such aid shall be the following:

- payments to workers made redundant or retired before legal retirement age, where such payments are not covered by aids pursuant to Article 56 (1) (c) or (2) (b) of the Treaty,
- payments due to third parties in respect of the termination of contracts, in particular for the supply of raw materials,
- expenditure incurred for the redevelopment of the site, the buildings and/or infrastructures of closed steel plant for alternative industrial use.

3. Exceptionally and by way of derogation from Article 8 (1) and the fifth indent of Article 2 (1), aids for closures which could not be foreseen in programmes notified up to 30 September 1982 may be notified to the Commission after that date and be approved after 1 July 1983.

Article 5

Aid for continued operation

1. Aids to facilitate the continued operation of certain undertakings or plants may be considered compatible with the orderly functioning of the common market provided that:

- they form an integral part of a restructuring programme as defined in the first indent of Article 2 (1),
- their duration is limited to a maximum of two years, they are progressively reduced at least once each year and they do not lead to payments after 31 December 1984; however, in exceptional cases and on the basis of a duly reasoned request from the Member State concerned, the Commission may grant derogations from the two-year period, after having sought the opinion of the Member States within the Council,
- they are limited in intensity and amount to what is absolutely necessary in order to enable continued operation during the period of restructuring, and are justified by the significance of the restructuring measures implemented, account also being taken of any aid granted for investment.

2. In its examination of such aids the Commission shall take account of the problems facing the production unit or units in question and the region or regions concerned, and of the secondary effects of the aid on competition on markets other than the steel market, for instance the transport market.

Article 6

Emergency aid

1. Emergency aids intended as a temporary solution for the rescue of an undertaking pending a restructuring programme or the closure of an undertaking may be considered compatible with the orderly functioning of the common market only in cases where and to the extent to which, having regard to their scope and nature, they are required in order to cope with acute social problems.

Such aids shall be of a maximum duration of six months and shall not affect trading conditions to an extent contrary to the common interest.

2. By way of derogation from the provisions of Article 1 (1), the provisions of Article 2 (1) shall not apply to emergency aids.

3. Emergency aids may not be approved after 31 December 1981.

Article 7

Aid for research and development

1. Aids to defray expenditure by steel undertakings on research and development projects may be considered compatible with the orderly functioning of the common market provided that the research and/or development project in question has one of the following objectives:

- a reduction in the costs of production (notably energy saving) or an improvement in productivity,
- an improvement in product quality,
- an improvement in the performance of iron and steel products or an increase in the range of uses of steel,
- an improvement in working conditions as regards health and safety.

2. The total amount of all aid granted for the above purposes may not exceed 50 % of the eligible costs of the project. The costs eligible for such aid shall be the costs directly associated with the project in question and shall exclude in particular all expenditure on investment related to production processes.

Article 8

1. The Commission shall be informed, in sufficient time to enable it to submit its comments, of any plans

to grant or alter aids as referred to in Articles 3 to 7. Notification pursuant to this Article must be made to the Commission no later than 30 September 1982. The Member State concerned shall put its proposed measures into effect only with the approval of and subject to any conditions laid down by the Commission.

2. The Commission shall seek the views of the Member States on the more important aid plans notified to it before adopting a position on them. It shall inform all Member States of the position adopted by it on each aid plan.

3. If, after giving notice to the parties concerned to submit their comments, the Commission finds that an aid is incompatible with the provisions of this Decision, it shall inform the Member State concerned of its decision. The Commission shall take any such decision not later than three months after receiving the information needed to enable it to assess the aid in question. Article 88 of the Treaty shall apply in the event of failure by a Member State to comply with this Decision.

4. Where a period of two months following the date of receipt of the notification of the plan in question has elapsed without the Commission having initiated the procedure provided for in paragraph 3 above or otherwise having made its views known, the measures planned may be put into effect, provided that the Member State has given prior notice to the Commission of its intention to do so.

5. The Commission shall act as rapidly as possible having regard to the urgency of each case.

The Commission shall give a decision on aid schemes and shall request notification of actual instances of application only when this proves necessary to ensure that such aid is compatible with the provisions of this Decision.

Article 9

Member States shall supply the Commission twice a year with reports on aids disbursed in the course of the preceding six months, on the uses made of such aids and on the results achieved during the same period as regards restructuring. These reports must include details of all financial measures taken by Member States or by regional or local authorities in respect of public steel undertakings. They must be supplied within two months of the end of each six month period in a form to be determined by the Commission.

The first of these reports will concern aids disbursed during the second half of 1981.

Article 10

The Commission shall regularly prepare reports on the implementation of this Decision for the Council and for the information of the European Parliament.

Article 11

1. The Commission shall report to the Council, not later than two months before the final dates set for notification of planned aid measures and their payment, on the developments noted with respect to prices of iron and steel products covered by the ECSC Treaty.

2. The Commission may, with the unanimous assent of the Council and after consulting the Consultative Committee, amend this Decision in due course so as to take account in particular of changes in the other Community policies concerning the iron and steel industry.

*Article 12***1. Amendments to time limits**

If, in the light of the market trend and of the level of prices for iron and steel products, the Commission considers it necessary to amend the time limits laid down in Articles 2, 5, 6 and 8 (1), it shall seek the unanimous assent of the Council.

If the Council fails to take a unanimous decision within two months of the Commission's request, assent shall be given by qualified majority, as laid down in the fourth paragraph of Article 28 of the Treaty in relation to the application of Articles 78, 78b and 78d.

2. Individual cases of non-specific aid

The Commission may, in accordance with the procedure of paragraph 1, above, adopt provisions derogating from this Decision in order to ensure that after 1 July 1983 the implementation of this Decision in the case of non-specific aid systems, notably those relating to energy saving and environmental protection, does not entail for steel undertakings any consequences not intended by this Decision, it being understood that the principles contained in the first to the fourth indents of Article 2 (1) remain applicable.

Article 13

This Decision replaces Decision No 257/80/ECSC.

Nevertheless, the procedural rules of Decision No 257/80/ECSC shall remain applicable to notified aid proposals which, at the date of entry into force of this Decision, have already been the subject of a notice to interested parties.

This Decision shall apply until 31 December 1985.

This Decision shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 7 August 1981.

For the Commission

F. H. J. ANDRIESEN

Member of the Commission

MOTION FOR A RESOLUTION (Document 1-152/81)

tabled by Mr KAPPOS

pursuant to Rule 25 of the Rules of Procedure

on the restrictions on steel production and their consequences for Greece

The European Parliament,

- Whereas the restrictions on steel production and implementation of the new measures for the iron and steel industry have had distressing consequences for those working in the industry,
 - Whereas the European steel policy favours large firms, especially in West Germany, where there is modern plant and where subsidies are provided at national level,
 - Whereas, on its accession to the EEC, Greece reduced its import duties on steel products by 50%, with the result that the Greek steel industry is now facing fierce competition,
 - Whereas Greece produces approximately 1% of the Community's steel and the lifting of restrictions in Greece would not cause the Community's steel industry any problems,
 - Whereas the Greek steel industry has over the last three years been working at only 55-65% of its capacity because of the economic crisis and the restrictive measures on building and manufacturing,
 - Whereas the 25% reduction in production levels which the Community policy provides for means that at least some Greek steel firms will not be able to continue operating,
 - Whereas, finally, the grievous consequences of the measures in question have included mass dismissals of steel workers, the persecution of the Greek steel workers' trade unionist movement and proposals by firms to sack up to 50% of the workforce,
1. Calls for the immediate lifting of restrictions on steel production in Greece and for a return to the earlier tariff arrangements for steel products;
 2. Instructs its President to forward this resolution to the Commission and the Council of the European Communities.

MOTION FOR A RESOLUTION (Document 1-602/81)

tabled by Mr MICHEL, Mrs CASSANMAGNAGO CERRETTI, Mrs GAIOTTI DE BIASE, Mr van der GUN, Mr VANDEWIELE, Mr VERGEER, Mr VERROKEN, Mr WAWRZIK, Mr PEDINI, Mrs RABBETHGE, Mr ESTGEN and Mr MACARIO

pursuant to Rule 47 of the Rules of Procedure

on national aid to iron and steel undertakings and on industrial and restructuring policies in the Member States of the EEC

The European Parliament,

- whereas in the past 7 years the European steel crisis has resulted in the loss of 228,000 jobs and will involve further heavy job losses as the result of proposed restructuring measures in view of the market outlook and changes in the general objectives for steel,
- having regard to the new code for aid - Doc. COM (81) 744 final of 25 May 1981, which includes a timetable for this aid - and the fact that it forces the national governments to abide by the letter and spirit of its provisions,
- having regard to the agreements made by the Commission in collaboration with producers and consumers on compulsory and optional quotas, abatement rates and prices for iron and steel products,
- having regard to the current high levels of unemployment in the EEC (roughly 9 million) and the prospect that this number will rise still further in the short and medium term unless a corrective policy is introduced and noting with satisfaction that provisions have been made in the budget to cover expenditure on the social aspect of the iron and steel industry for 1981 and 1982,
- whereas energy policy and industrial policy should be considered in an overall context in view of their interdependence,
- having regard to the last motion for a resolution submitted to the European Parliament,

1. Invites

the Commission and the Council of the European Communities to join with the European Parliament, the Economic and Social Committee and the ECSC Consultative Committee in preparing decisions on:

- (1) Energy policy in which special consideration will be given to the effect on employment of:
 - energy savings,
 - the rational use of energy,
 - research into alternative energy sources;

 - (2) Changes in the general objectives for Steel 85/90,
valorization of downstream iron and steel products and special steels in line with the long-term prospects for European and world requirements,
the development of iron and steel industries in the Third World, the Eastern bloc, Japan and the United States,
and the jobs required both in terms of quantity and quality and, in this respect, the need to ensure that aid to companies is used for the creation of training schemes and programmes for adaptation to the new technologies;

 - (3) The two aspects of the EEC's proposed industrial policy:
 - (A) support for national conversion policies;
 - (B) initiatives which the EEC might take in the following areas:
 - research and development on new products, coordination and planning for these activities;
 - farming and food;
 - bio-industry;
 - aeronautics, space policy, telecommunications;
 - telematics, microelectronics and robots;
 - deep-sea prospecting and the industrial application of inventions;

 - (4) The preparation and submission of a proposal for the gradual harmonization of social legislation and social regulations in the 10 Member States of the EEC following the resolution on 'the Community employment policy' adopted by Parliament on 17 September 1981;
2. Instructs its president to forward this resolution to the Council and Commission of the European Communities.

MOTION FOR A RESOLUTION (Document 1-718/81)

tabled by Mr COMBE, Mr REMILLY, Mrs SCRIVENER, Mr FANTON, Mrs MARTIN, Mr SEITLINGER, Mr SIMONNET, Mr CALVEZ, Mr DELOROZOY, Mr DELATTE, Mr ANSQUER, Mrs PRUVOT, Mr IRMER, Mr ROSSI, Mr PINTAT, Mr COUSTE, Mr DILIGENT, Mr GALLAND, Mr CAILLAVET, Mr BANGEMANN, Mr DELEAU and Mr PONIATOWSKI

with request for topical and urgent debate pursuant to Rule 48 of the Rules of Procedure
on steel prices

The European Parliament,

- having regard to Decision No 1836/81 ECSC of 3 July 1981 published in the Official Journal of the European Communities L 184 of 4 July 1981,
 - noting that the purpose of this decision is to require iron and steel distributors to deposit their price lists with the ECSC, thus putting an end to chaotic pricing practices,
 - noting that this decision led to a general price increase on 1 October 1981,
 - noting that in order to continue the practice of granting discounts on large quantities, an invoicing system has been introduced which leads to an excessive price increase for sales of small quantities,
1. Expresses its concern at sales practices which seriously penalize purchases of small quantities by the SMU and craft concerns of the European Community and thus pose a threat to their continued existence;
 2. Requests the Commission and the Council to take all possible measures to put an immediate end to this situation;
 3. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

MOTION FOR A RESOLUTION (Document 1-40/82)

tabled by Mrs LIZIN

pursuant to Rule 47 of the Rules of Procedure

on the situation in the Walloon iron and steel industry

The European Parliament,

- having regard to the growing anger and concern of workers in the Walloon iron and steel industry in Liège and Charleroi at the delays that have held up the adoption of the restructuring plan for the Cockerill-Sambre merger,
 - having regard to the most recent changes in the Commission's position towards Cockerill-Sambre,
1. Is surprised that a plan submitted by a Member State should elicit not an opinion for or against but detailed proposed amendments that go so far as to recommend links with other European producers on the basis of a technical report that was not even submitted to a meeting of the Commission as a whole before publication;
 2. Calls on the Commission to ensure that positions not adopted by it as a body are not published unofficially, especially when they are crucial to the future of whole industrial areas and thousands of workers, and that each of its Members pays due heed to the independent nature of its collegiate status;
 3. Considers that the Commission should not allow an advisory technical organization to act as negotiator at meetings held to determine the positions of the various parties, as was the case with the MacKinsey firm in February and March 1981;
 4. Asks the Commission how it intends to help Cockerill-Sambre to switch to new, more widely diversified sectors.

MOTION FOR A RESOLUTION (Document 1-685/82)

tabled by Mr ROMUALDI, Mr ALMIRANTE, Mr BUTTAFUOCO and Mr PETRONIO
pursuant to Rule 47 of the Rules of Procedure
on the crisis in the Italian steel industry, particularly in the region of
Naples

The European Parliament,

- A having regard to the serious crisis affecting the steel industry world-wide, but particularly in Italy,
- B whereas the steel crisis in Italy is not only an extension of the world crisis, but is largely due to the management of state-owned plants, which is based on self-interest and patronage and constrained by the dictates of a public aid system and by the practice of political share-outs,
- C whereas, at a time when the signs of a world steel crisis were already clear, the management of the state industry was planning to create new plants at Gioia Tauro and Volturmo, costing thousands of millions of lire of taxpayers' money,
- D whereas the Bagnoli steel works, the third largest industrial plant in Naples with 7900 workers, despite annual losses of 200,000 million lire following lay-offs and redundancy payments, is in danger of closing down completely, thus aggravating the economic and social situation of a city already devastated by natural disasters,
- E whereas the EEC has launched an integrated operation in Naples to tackle all the various aspects of the economic problems of this city,

REQUESTS THAT:

1. the right to work of the 7900 employees at the Bagnoli steelworks be protected;
2. a restructuring plan be drawn up for the entire state industry, taking account of employment priorities in the zones worst affected by the economic crisis;
3. the integrated operation in Naples adopt measures designed to safeguard steelmaking activities, within the new production limits laid down by the EEC but without reductions in employment, which would increase unemployment and aggravate the social deprivation it creates;
4. Instructs its President to forward this resolution to the Commission and the Council.

O P I N I O N

(Rule 101 of the Rules of Procedure)
of the Committee on Social Affairs and Employment

Draftsman: Mr PETERS

On 18 January 1983 the Committee on Social Affairs and Employment appointed Mr PETERS draftsman of the opinion.

The committee considered the draft opinion at its meeting of 18 April 1983. It approved the conclusions and adopted the opinion unanimously with two abstentions.

The following took part in the vote: Mr Papaefstratiou, chairman; Mr Peters, first vice-chairman and draftsman; Mr Pattison and Mr Frischmann, vice-chairmen; Mr Alexiadis (independent substitute), Mr Abens (deputizing for Mrs Duport), Mr BOURNIAS (deputizing for Mr Barbagli), Mr Dalsass (deputizing for Mr Brok), Mr Ferrero (deputizing for Mr Damette), Mr Ghergo, Mr Griffiths (deputizing for Mr Boyes), Mrs Kellett-Bowman (deputizing for Mr Simpson), Mrs T. Nielsen, Mr Patterson, Dame Shelagh Roberts (deputizing for Sir David Nicholson), Mr Saby (deputizing for Mrs Charzat), Mrs Squarcialupi (deputizing for Mr Ceravolo), Mr Tuckman, Mr Vernimmen (deputizing for Mrs Salisch) and Mr Vgenopoulos (deputizing for Mr Dido).

I. INTRODUCTION

The 500,000 workers employed in the Community steel industry, as well as the workers employed in the processing or supply industries, are extremely perturbed by the difficulties in the steel industry.

In the post-war years the steel industry in industrial countries underwent, at the same time as the general growth in the economy, an unprecedented boom. Steel plays an important part in the manufacture of industrial equipment and many consumer goods, in the building and civil engineering industry, in the motor vehicle sector and in other means of transport.

From 1946 to 1974 world-wide crude steel production increased from 112 to 709 million tonnes, representing a six-fold increase. The most astounding expansion took place in Japan. From 1950 to 1970 Japan's share of world production rose from 2.5% to 16%, whilst Japanese exports increased 32 times over. From 1960 to 1975 alone, production capacity in Japan increased seven times over whereas it only doubled in the European Community and remained unchanged in the United States.

Between 1970 and 1981 Japan's share in world production remained virtually unchanged at 15%, whilst the Community's share declined from 23% to 18% and that of the United States from 21% to 16%. On the other hand, other competitors became stronger: the Eastern Bloc countries increased their share within 10 years from 26% to 29% and the other countries increased theirs from 14% to 23%. The latter include developing countries and young industrial countries which are new producers and which, although still net importers, can increasingly meet their own needs. A lower level of wages, modern production plant and sometimes easier access to natural raw materials make it possible in addition for them to sell their products more easily on a world market which is virtually stagnant and on which growing competition is exerting considerable pressure on prices.

Heavy investment activity during the growth years led to surplus capacity in steel production which is now facing a fall in the demand for steel in the wake of the general economic crisis. In 1980 the demand for steel rose world-wide by only 0.7% in comparison with 1974. In the Community it fell by 15%. The result of this was that in 1981 the European steel industry was only utilizing 63% of its capacity, the American steel industry 80% and the Japanese steel industry 64%.

In the Community the world-wide steel crisis has resulted in:

- a 20% drop in the production of crude steel from 1974 to 1981 (from 156 to 125 million tonnes). Production capacity in the Community amounts to 200 million tonnes, however, so that 170 million tonnes must be produced and sold for economic utilization of production plant;
- a slump in prices of up to 50% between 1974 and 1977 before prices recovered owing to the measures adopted by the Community;
- a sharp decline in the number of jobs available in the steel industry, in other words a fall from 792,000 to 549,000 between 1974 and 1981 (-31%). In addition, short-time work was extended to many workers;
- considerable financial losses. In addition to the problems of structural surplus capacity, the steel industry has to combat productivity problems. In a boom year such as 1973 an average of 8.3 working hours were required for the production of one tonne of crude steel in the Community, but, on the other hand, only 5.9 hours were required in Japan. Even today in spite of all the efforts at modernization, too much production plant is obsolete in Europe and is thus unable to cope with competition from new producers.

II. MEASURES ADOPTED BY THE EUROPEAN COMMUNITY

It is therefore the task of the Institutions of the Community, national governments and steel undertakings to make every effort to:

- protect employment;
- guarantee social support measures for the workers affected;
- adopt additional measures for the further training and retraining of workers in the steel undertakings themselves and outside, in suitable vocational training establishments;
- utilize fully training capacities in the steel undertakings and

thus train young people for skilled employment.

This also applies to the urgent need to create replacement jobs in conjunction with restructuring measures in the regions affected by the steel crisis by providing substantial financial aid and effective support measures.

To achieve this, special regional support and aid programmes for these steel crisis regions suffering high unemployment and characterized by a coal/steel monostructure must be drawn up in cooperation with the governments and regional authorities with the aim of:

- creating replacement jobs in good time;
- improving the infrastructure;
- providing the workers affected with more advanced occupational training and
- retraining.

Workers and trade unions must be fully included in the measures in good time and at all levels, international, national and regional.

There is also, however, an imperative need for much greater coordination than hitherto of the resources of the Community's Regional and Social Funds as well as the other Community financial instruments.

At the same time there must be a considerable replenishment of the funds for loans at reduced rates of interest under the ECSC Treaty and, in addition, soft loans must be made available in the context of 'the New Community Instrument', which was introduced in 1978 by a Council decision, on the lines of the low-interest loans granted to certain Member States in the context of the EMS.

The Commission has been called upon to re-submit to the Council of Ministers, without any cuts, the original proposals¹ for social accompanying measures occasioned by the restructuring of the iron and steel industry such as:

¹ Which were submitted by the European Parliament at its sitting of 10 July 1980 with a comprehensive explanatory statement but were not fully considered by the Council of Ministers.

- early retirement;
- assistance for workers on short-time work;
- shortening of working hours in all forms;
- introduction of a fifth shift;
- and reduction of overtime.

The Council of Ministers must, owing to the continuing serious employment problems in the Community iron and steel industry, change its previous attitude towards the social programme which was submitted at that time and which it rejected.

The Commission proposes special measures in respect of the social support policy to supplement the conversion measures which are now at the preparation stage.

They are divided into existing measures adopted for a limited period and new measures adopted for a limited period.

The first group includes income allowances for steel workers who retire early over 55 years of age, or over 50 years of age in special cases, and cannot be re-employed, and financial assistance for short-term work for a limited time, preceding the proposed structural measures.

These social measures, which have been implemented since 1981, are financed by special funds of approximately 509 million DM most of which were obtained additionally from the general budget of the European Community upon the request of the European Parliament to the Council of Ministers.

The second group includes the following new measures:

- transitional financial aid for the permanent shortening of working hours;
- re-absorption allowances for former steel workers;
- job-creation subject to a time limit;
- financial support for the creation of bodies for future-oriented control of the labour market.

In order to continue financing the 1981 social measures and the new measures described above in support of the 'General objectives for steel 1985', additional funds of approximately 792 million DM will be necessary in the financial years up to and including 1986, assuming that 150,000 jobs are lost in this period.

II. CONCLUSIONS

The Committee on Social Affairs and Employment requests the Committee on Economic and Monetary Affairs to adopt the following points in its report:

- in view of the fact that the social problems and loss of jobs in the steel industry in the regions concerned also give rise to the collapse of industrial structures in other sectors of industry:
- 1. Refers to the resolution contained in the PETERS report on social measures in connection with the restructuring of the iron and steel industry¹ in which the use of the traditional ECSC facilities was already unreservedly advocated. The following additional measures are recommended:
 - (a) voluntary early retirement;
 - (b) restrictions on overtime;
 - (c) improvement of working conditions and duration of work and the reorganization of working time and
 - (d) new patterns of shift work.
- 2. Requests the Commission to make forceful representations to the Council of Ministers to ensure that an economic and employment policy initiative is taken on the basis of common strategies which will effectively reduce the unemployment rate and are aimed at gradually achieving full employment in all sectors of the economy by means of:
 - (a) financial support for national policies which encourage job-creating investments, with the aid to be coordinated;

¹Doc. 1-215/80

(b) closely coordinated and practical aid measures not only for large, but also medium-sized or small undertakings, aimed at making use of their specific potential and designed to encourage new projects in the undertakings, support their investment plans, meet their equipment needs, coordinate planning, overcome their internal problems and promote research and development projects;

3. Calls on the Commission to introduce the following measures, taking account of the abovementioned efforts towards economic recovery and the development of a comprehensive industrial policy:

(a) maximum utilization of Community financing instruments, together with those of the ECSC, including the non-quota section of the Regional Fund,

(b) support for national industrial conversion efforts as part of the programmes particularly concerned with the effects of the restructuring of the steel industry and the improvement of competitiveness,

(c) intensification of Community efforts in all regions which are most severely affected by the restructuring measures,

(d) the provision, as soon as possible, of a comprehensive survey of the possibilities open to the Community with regard to the conversion of undertakings in which the instruments deriving from the ECSC Treaty should be suitably associated with the other resources available to the Community for all interested socio-economic groups;

4. Calls on the Commission to draw up a new social programme for the period from 1.1.1983 to 31.12.1986 which:

(a) reduces overtime and hence makes possible the recruitment of additional workers,

- (b) continues aid to national measures relating to workforce reduction, allowing voluntary agreements to be reached on voluntary early retirement or other measures with equivalent effect,
- (c) continues to provide support for those on short-time work,
- (d) provides financial support for arrangements aiming at job sharing and a reduction of working time at the various levels, provided that the cost of these measures can be borne by undertakings and that they have been agreed by both sides of industry,
- (e) promotes, by means of recruitment subsidies, the reabsorption of redundant workers into new types and forms of employment, including experimental part-time projects,
- (f) facilitates further or initial training with a view to the conversion of undertakings,
- (g) supports the work of coordinating bodies, which have a particular responsibility in the field of employment planning, in the regions affected by conversion measures.

5. Calls for a further 330 million ECU per annum to be included in the Community budget for the period 1983 to 1986 to finance this social programme.

