

European Communities

EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

4 July 1977

DOCUMENT 198/77

Report

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

on the crisis in the Community's iron and steel industry (Doc. 489/76)

Rapporteur: Mr P.-B. COUSTÉ

PE 48.869/fin.

At its meeting of 16 December 1976 the Bureau of the European Parliament, following the motion for resolution tabled by Mr Suck pursuant to Rule 25 of the Rules of Procedure on 15 December 1976, (Doc. 489/76), authorized the Committee on Economic and Monetary Affairs to submit a report on the crisis in the iron and steel industry.

On 18 January 1977 the Committee on Economic and Monetary Affairs appointed Mr Cousté rapporteur.

The committee discussed the draft report at its meetings of 14 February 1977, 17 and 18 March 1977, 28 April 1977, 23 May 1977, 6 and 7 June 1977 and 23 June 1977.

At its meeting of 23 June 1977 the committee adopted the motion for a resolution with one abstention.

Present: Mr Glinne, chairman; Mr Notenboom, Sir Brandon Rhys Williams and Mr Leonardi, vice-chairmen; Mr Couste, rapporteur, Mr Ardwick, Mr Berkhouwer (deputizing for Mr Zywietz), Lord Bruce of Donington, Mr De Koning (deputizing for Mr Starke), Mr Guldberg, Mr Hansen (deputizing for Mr Zagari), Mr Van Der Mei, Mr Normanton, Mr Nyborg, Mr Ripamonti, Mr Schuijt (deputizing for Mr Zeyer) and Mr Spinelli.

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A

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 the crisis in the Community's iron and steel industry

The European Parliament,

- having regard to the motion for a resolution (Doc. 489/76)¹ and the resolution adopted on 21 April 1977 (Doc. 61/77/rev.)²
- 1. Notes that the economic crisis which has been affecting the world economy since 1973 and which is reflected in increased inflation and unemployment rates has also hit the European iron and steel industry very severely and that the present level of production, prices, productivity and the financial situation of the undertakings in this sector have revealed its vulnerability, both on the world market and within the Community;
- 2. Expresses its grave concern at the continuing deterioration in the situation of the Community's iron and steel industry and the serious threats this poses to employment, regional balance and the future of this vital industrial sector;
- 3. Points out that under Article 2 of the Treaty of Paris the task of the ECSC is economic expansion and the growth of employment; expects, therefore, the Commission to take appropriate steps to implement a Community iron and steel policy to deal with the present crisis conditions;
- 4. Approves, in view of the present state of the iron and steel market, the short-term economic measures adopted by the Commission in 1976 involving the establishment of delivery programmes for groups of undertakings and for individual products, and more recently the fixing of minimum prices for concrete reinforcing bars and guide prices for laminated products and the introduction of automatic licences for imports into the Community;
- 5. Considers that minimum prices are essential where delivery programmes are not complied with and notes that these short-term measures are only applicable until the end of 1977;

¹ Motion for a resolution tabled by Mr Suck (see Annex I)

² Resolution tabled by Mr Fellermaier, Mr Notenboom and Mr Bangemann (see Annex II)

6. Points out that if necessary the Commission, failing which one of the Member States, should request the Council to extend these measures and make them binding, on the grounds that the Community is faced by a manifest crisis (Article 58 of the Treaty), and to ensure that Articles 61 and 74 of the Treaty are strictly applied;
7. Emphasizes that the success of internal measures is closely linked to the reform of world-wide competition, notably by means of international agreements, and in particular favours a tripartite conference within the framework of the OECD, especially to avoid the danger of protectionism;
8. Emphasizes also that these short-term arrangements are a necessary preliminary to the implementation of restructuring measures;
9. Points out that in view of the situation of the Community iron and steel industry restructuring and rationalization measures are vital; emphasizes in this connection the responsibility of holding companies, the governments of the Member States and the Community;
10. Emphasizes that the Community has special responsibility for coordinating the national restructuring plans and that Articles 54 and 56 of the Treaty provide financial means in the form of investment aid and aid to help workers affected by reorganization;
11. Approves the Commission's evident willingness to establish a framework for national aids on the basis of common criteria, in accordance with the provisions of the Treaty;
12. Invites the Commission to submit a programme for the reorientation of the Community iron and steel industry towards products involving a high rate of added value; emphasizes in this connection the importance of a Community programme of applied research;
13. Expects the Commission to take particular care to ensure that the maintenance of or the conditions for a return to free competition are not jeopardized either by the effects of the short-term economic measures relating to delivery quotas and prices or by the risk of the renewed formation of cartels;
14. Hopes that the Commission will devote the necessary attention to analysing the possible repercussions of the short-term measures taken to help the iron and steel industry on the situation of industrial sectors supplied by that industry;

15. Invites the Commission to incorporate measures aimed at restructuring the iron and steel industry into the general framework of a sectoral structural policy, which is urgently needed;
16. Approves the anti-dumping provisions adopted by the Commission to protect the Community iron and steel industry against abusive practices;
17. Is convinced that the serious crisis facing the Community iron and steel industry can be overcome only by maintaining market unity and pursuing cohesive policies; calls, therefore, for determination on the part of the Commission to use all the means provided by the Treaty and for full cooperation between the governments of the Member States;
18. Instructs its President to forward this resolution to the Commission and Council of the European Communities, to the governments of the Member States and to the national parliaments.

EXPLANATORY STATEMENTI. THE SITUATION IN THE COMMUNITY'S IRON AND STEEL INDUSTRY

1. Since the autumn of 1976 the Committee on Economic and Monetary Affairs has been closely following the situation in the Community's iron and steel industry and has had several discussions with Commissioner SIMONET and subsequently Commissioner DAVIGNON.

The iron and steel sector is passing through an extremely difficult period as a result of economic and structural factors. The Community's iron and steel industry is currently working at 60% capacity. The level of demand on the world market is so low that imports, however negligible, lead to a slump in prices. Although there are a number of extremely well-integrated iron and steel companies, the vast majority are in difficulties and are suffering financial losses. In these circumstances, the least modern iron and steel undertakings, which can normally find a market for their products are, of course, hardest hit.

Indebtedness in the iron and steel industry¹ and the serious threats to employment have induced industry, the national governments and the Community to take steps to deal with the effects of this crisis.

2. This report is based on the motion for a resolution tabled some time ago by Mr SUCK (Doc. 489/76). However, in view of the date on which it was drawn up, this motion, set in the context of the attempt to re-establish a cartel which was made in 1976 under the name of DENELUX and of the SIMONET Plan, does not take account of the wider range of problems raised by the current crisis in the Community iron and steel industry.

More recently, a motion tabled by Mr FELLERMAIER, Mr NOTENBOOM and Mr BANGEMANN (Doc. 61/77) was the subject of a debate in the European Parliament on 21 April 1977, which may be seen as an introduction to this question. It is worth considering the resolution which was adopted, since it states Parliament's position on various measures recently taken by the Commission and contains several important comments. This resolution

¹ In 1976 the indebtedness of the iron and steel companies in France amounted to FF 33,000 million, which is higher than the industry's turnover - FF 32,500 million. The indebtedness of the French iron and steel industry as compared with its turnover is comparable to that of the Italian industry; it is twice that of the British industry and six times that of the German industry' - Le Monde, April 1977.

brought the debate on the matter up to date, but as was agreed it now requires more thorough consideration. That is the purpose of this report, which was drawn up on the basis of the most recent decisions adopted by the Commission on 4 May 1977¹.

II. SHORT-TERM ECONOMIC MEASURES

The economic crisis obliged industrialists, trade unions, the governments of the Member States and the Commission to take various measures, which at that time led the Committee on Economic and Monetary Affairs to submit an oral question with debate (Doc. 415/76) on the crisis and pre-crisis policy in the steel sector.

(a) The threat of new cartels

3. In February 1976 the iron and steel companies of the Federal Republic of Germany and of the Benelux countries formed an international economic grouping called DENELUX, aimed at promoting cooperation between its members with regard to supplies, transport and production, increasing specialization and possibly introducing production restraints. Alarmed by the danger of the formation of new cartels and of disruptions to market unity present by the setting up of this grouping, the Commission became less hostile to the formation of EUROFER, which would not involve the same dangers. Nevertheless, this does not completely remove the risk of new cartels being formed.

The Committee on Economic and Monetary Affairs attaches great importance to the fact that in accordance with Article 65 of the ECSC Treaty, it is the Commission's responsibility to keep a careful watch on the market situation. The Commission has apparently so far been satisfied with its cooperation with EUROFER; however, in its independent relations with industry the Commission should use all the authority and means needed to pursue the Community iron and steel policy.

¹OJ No. L 114, 5 May 1977

(b) Delivery programmes (SIMONET Plan)

4. After some hesitation, mainly as a result of the attitudes of certain Member States, the Commission decided not to invoke Articles 58 and 61 of the Treaty, feeling at the time that the procedure was too long and cumbersome, and in December 1976 submitted, on the responsibility of Commissioner SIMONET, an initial anti-crisis plan providing for a joint procedure involving 70 groups of iron and steel undertakings, with a view to implementing delivery programmes for individual products originally for a period of four months. This plan, put into effect on 1 January 1977, was extended to the end of the second quarter of 1977. Apart from certain difficulties in connection with independent producers in the United Kingdom and Northern Italy, the procedure was satisfactorily implemented.

However, the plan was not effective in combating the steady decline in the iron and steel industry. Indeed, the 'steel' forecasts for the second half of the year indicate that the slump will continue¹.

(c) Crisis measures (DAVIGNON Plan)

5. To remedy this situation the Commission, through Commissioner DAVIGNON, has adopted a series of new measures relating to prices and commercial policy², which constitute a second stage.

- Price measures

The Commission's price measures are of two kinds. The specific binding decision³ on the fixing of minimum prices for concrete reinforcement bars, pursuant to Article 61 of the ECSC Treaty, is designed to remedy the lack of organization in the fixing of delivery quotas in this area. The Commission will review the prices at regular intervals.

The fixing of guidance prices⁴ for a number of laminated products is intended to combat the current extremely depressed state of the iron and steel market. These target prices are lower than the list prices published by the undertakings, which because of the need for alignment, are not adhered to, and are considerably higher than the present uneconomic market prices.

¹OJ No. C 95, 19.4.1977

²OJ No. L 114, 5.5.1977

³Decision No. 962/77/ECSC of 4 May 1977, OJ No. L 114, 5.5.1977

⁴Communication from the Commission on the publication of guidance prices for certain steel products, OJ No. L 114, 5.5.1977, p.18

- Commercial policy

The price measures would be ineffective if they were not combined with trade measures designed to protect the Community iron and steel market against outside competition. The Commission has therefore decided to introduce Community surveillance of the importation of certain and steel products by means of automatic licences.

These licences will give the Commission an instant picture of transactions and enable it to combat speculation. With this more extensive knowledge of the market the Commission will be able, if necessary, to enter into bilateral negotiations with the exporting countries in the event of distortions of trade and ask them to restrict their production voluntarily in the same way as Community producers.

Pursuant to Article 74 of the ECSC Treaty, the Commission has adopted¹ a series of measures to combat dumping and the granting of bounties or subsidies by third countries. The Commission is to be congratulated on finding a reasonable compromise between protectionism and immobilism.

(d) Final remarks on short-term measures

6. Up till now the Commission has avoided taking binding measures and has asked manufacturers to cooperate by voluntarily restricting production and prices. Clearly, however, the Community is in a 'manifest crisis'. If the measures taken so far do not produce the desired results within a short time, it will be incumbent on the Commission to ask the Council, pursuant to Articles 58 and 59 of the ECSC Treaty, to bring into operation all the measures provided for in the Treaty, and this time the measures will have to be binding. This is also indicated in the resolution adopted by the ECSC Consultative Committee on 17 March 1977².

It must be stressed, however, that the implementation of these short-term measures will inevitably pose certain delicate problems. Thus the Commission will have to ensure that the short-term measures recently adopted do not irrevocably change the situation so that it is impossible to revert to normal competition on the iron and steel market³.

¹ Recommendation No. 77/329/ECSC, 15.4.1977, OJ No. L 114, 5.5.1977, pp. 6 to 14

² OJ No. C 86, 6.4.1977, p. 6

³ See Written Question No. 688/76 by Mr Cousté

Similarly, the Commission must be reminded of the harmful effects that certain short-term measures could have on industries supplied by the iron and steel industry - the car, building and machine tool industries.

Generally speaking, it is important to ensure that the introduction of minimum prices does not result in distortions of competition to the advantage of the iron and steel industry and the detriment of other economic sectors. These prices should also take account of economic policy objectives, in other words they should not lead to further inflation, and the legitimate interests and competitiveness of industries which use steel.

III. STRUCTURAL MEASURES

7. For political as well as **social** reasons, the Commission cannot afford to ignore the situation in the iron and steel industry when the future employment of one worker in seven in this industry is in jeopardy. The Community's independence is at stake, even if the industry no longer occupies such a crucial position as it did formerly.

The Commission has assured the European Parliament¹ that it will not relinquish its powers either to the Member States or to the undertakings. Indeed, the Treaty provides the Commission with the necessary legal and financial means to pursue a Community iron and steel policy.

(a) The medium-term programme outlined by the Commission

8. In conjunction with the short-term measures the Commission intends to introduce measures to promote the necessary restructuring of the iron and steel sector. In fact, although one of the main causes of the crisis is the decline in world demand for steel, a further cause is poor productivity in the EEC countries compared with certain third countries (for example, in 1976 the United Kingdom produced at a rate of 30 h/t, the Federal Republic of Germany at a rate of 18 h/t and Japan at a rate of 4 h/t).

The Commission will have to review the general 'steel' objectives for the years 1980/1985, since only 134 million tonnes of crude steel was produced in 1976, while the recommended target for 1980 is 183 million tonnes. The Commission proposes to devote particular attention to investment and the social and regional aspects of restructuring. In this connection, it will have to consider making comprehensive and coordinated use of the instruments at its disposal (Social Fund, Regional Fund, Articles 54 and 56 of the ECSC Treaty, namely loans to undertakings for investment programmes and aids in favour of re-employment, etc.). Using the

¹ See Debates, 21.4.1977

resources of these and the ECSC's own funds, it should be possible to allocate 750 million E.u.a. for restructuring, between 500 and 600 million E.u.a. of this sum in the second quarter of 1977.

The Commission also proposes to set aside 20 million E.u.a. for interest subsidies for restructuring in the second half of 1977 and, depending on how the situation develops, probably 40 million E.u.a. in 1978. It would be useful for the Commission to submit a programme which gears the Community iron and steel industry to the production sectors in which there is a high degree of added value. In this connection the importance of a Community applied research programme must be stressed.

(b) A sectoral structural policy

9. It is impossible to consider the iron and steel sector in isolation from the other sectors of industry. In fact the Community industry is dependent on the Community's raw materials policy and in turn is depended on by a number of industries, for example the shipbuilding, car and building industries.

From this point of view a structural sectoral policy, for which there is an urgent need and which must be geared to the type of industry - labour-intensive or advance technology industry - must therefore be worked out and implemented without delay. It is an essential prerequisite for the coordination of undertakings. As regards the restructuring and rationalization of the Community iron and steel industry, it is important to emphasize the responsibility of the holding companies, the governments of the Member States and the Community. The Community has a special responsibility in this area in coordinating the national restructuring plans. The Commission's willingness to back these up with Community aid is to be welcomed.

(c) Final remarks

10. The estimates for the second quarter of 1977 show that investment in the iron and steel industry is on the decline. In the circumstances, the Commission's measures would appear to be indispensable. Under Articles 54 and 56 of the ECSC Treaty the Commission is provided with funds for investment aid and aid to workers. The Commission's ~~de~~ termination must be matched by an unlimited cooperation from the governments of the Member States and from the representatives of the industries and trade unions. In fact, in an area in which it has the longest record of achievement and the most extensive powers, the Community

bears a special responsibility in the eyes of the public and in particular the workers, since we are convinced that the grave crisis in the iron and steel industry can be remedied only by ensuring the unity of the market and the coherence of national policies. It is with this objective in mind that the European Parliament should assess and support the Commission's measures.

MOTION FOR A RESOLUTION (Doc. 489/76)

tabled by Mr SUCK

pursuant to Rule 25 of the Rules of Procedure
on the crisis in the iron and steel industry

The European Parliament,

- having regard to the crisis situation facing the iron and steel industry in the Community,
 - having regard to the measures proposed by the Commission in the iron and steel industry sector,
1. Maintains its faith in the ECSC Treaty and therefore regrets that the procedure laid down in the Treaty of Paris for use in the event of a crisis has not been applied and that the Commission has proposed measures which may be difficult to reconcile with the ECSC Treaty;
 2. Points out that the aim of crisis measures should be to ensure the survival of the Community's iron and steel industry; they should not, however, prevent companies from carrying out the necessary restructuring programmes which are vital to their future competitiveness;
 3. Is extremely concerned that the restrictions on competition resulting from the crisis measures might lead to the renewed formation of cartels in this sector;

therefore urges the Commission in particular to prevent industrial groupings or any other organization such as Eurofer from taking over the organization of the markets and having its decisions confirmed by the Commission;
 4. Finally points to the possibly harmful effects of the proposed measures on both the steel-processing industry and the final consumers in the Community;
 5. Expects the Commission to ensure that, besides the possibility of granting investment aids and loans to the corporations, direct aids should be given under Article 56(1) of the ECSC Treaty to the workers who are directly affected by rationalization and restructuring measures;
 6. Instructs its President to forward this resolution to the Council and Commission.

ANNEX II

Resolution tabled by Mr Fellermaier on behalf of the Socialist Group, Mr NOTENBOOM on behalf of the Christian-Democratic Group and Mr BANGEMANN on behalf of the Liberal and Democratic Group on the problems in the Community's iron and steel industry (Doc. 61/77/rev).¹

The European Parliament,

- deeply concerned at the deterioration of the situation in the Community's iron and steel industry which, in certain countries, represents a serious threat to employment and brings with it the risk of mass redundancies,
1. Supports the position of the Commission in trying to overcome the European steel crisis;
 2. Warns against measures which could call into question the Community's external relations and measures which might give renewed impetus to inflation;
 3. Takes the view that the Community's internal measures can only produce positive results in the context of world-wide agreements and therefore particularly favours a tripartite conference within the framework of the OECD;
 4. Expects the Commission to do everything possible with all the means at its disposal to encourage reorganization of the iron and steel industry, and in the same context, to make provision for social and employment policy measures which will ensure the social security of the workers concerned.

¹Adopted on 21 April 1977, OJ NO. C118, 16 May 1977