

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 561 final.

Brussels, 11 November 1977.

DRAFT FOR A DECISION

by the representatives of the Governments of the Member States
of the European Coal and Steel Community, meeting within the
Council, allocating additional revenue to this Community

(submitted to the Council by the Commission)

COM(77) 561 final.

FINANCIAL TRANSFER TO THE ECSC OF THE CUSTOMS DUTIES ON ECSC PRODUCTS

I. The delicate balance of the ECSC budget

The ECSC operational budget (which apart from the contribution made to the general budget to cover administrative expenditure involves resettlement and research aids, interest subsidies for investment and redevelopment projects in the ECSC sector and aid for the marketing of coking coal and metallurgical coke) is financed from interest on investments and loans granted out of non-borrowed funds, the sums made available by the cancelling of commitments and, in particular, by the weight-based levies on ECSC products fixed every year by the High Authority/Commission.

In the last six years the rate of levy adopted - which according to Article 50(2) of the ECSC Treaty may not exceed 1% of the average value of the products concerned without previous authorization by the Council - has remained at 0.29%.

During this period and in particular in 1975, 1976 and 1977, the ECSC funds have stagnated as, despite a slight annual increase at current prices, the real value of the budget has fallen. At the same time, operating requirements have increased considerably, in particular because of the problems affecting the steel sector.

The Commission has not wished to cover the increase in financing requirements by increasing the levy rate; this seemed to be an economically inappropriate measure in the conditions prevailing in the ECSC industries and in particular the steel industry.

It seems that the time has now come to abandon the policy consisting of reducing requirements and learning to live on the stagnating resources. Because of the financial requirements arising from the steel crisis, which the ECSC cannot avoid, this body must have the means to bear its responsibilities in respect of the rationalization and restructuring of this industry.

II. The steel crisis

The serious and persistent imbalance between world supply of and demand for steel puts the Community's industry, traditionally a net exporter, into a position which is made even more difficult by the fact that part of the European production apparatus is not sufficiently competitive vis-à-vis the new steel-producing countries.

The restructuring of the steel sector, with a view to modernizing and stabilizing it, is the only solution likely to ensure its survival and guarantee the jobs of the remaining workers.

Any attempt to divide up the Community market or to close it to imports would prejudice the Community steel industry's prospects of long-term economic viability - either because jobs and orders would be ensured only by means of public aids to production or because protectionist measures would gradually lead to an extremely damaging trade war.

Nonetheless, this double risk is real and a vigorous Community policy, in close coordination with the policies of the Member States, will be needed to obviate it.

The plan for international measures must take account of the fact that the steel crisis is worldwide, and that the first step must be to approach the central problem of adjusting world structures to the actual requirements. New market disturbances must be avoided. At Community level, the success of the recovery plan presupposes a reduced level of imports and a stable level of exports.

By taking measures on the internal market involving both voluntary restriction of deliveries, and the introduction of guide prices for the main rolled products and minimum prices for concrete reinforcing bars, the Community is helping: to align selling prices on the production costs; to reduce the loss of financial returns - or, more often, the considerable losses - suffered by Community producers on their sales; and to create the conditions for undertaking the more basic operation of restructuring.

Finally, by means of a structural policy based on the General Objectives Steel 1985-1990, revised in agreement with the producers, workers, consumers and the Governments, the Community intends, with the assistance of the Governments to make a contribution towards:

- (i) modernizing steel plant;
- (ii) creating alternative jobs in the steel-making areas where restructuring has reduced the number of jobs existing;
- (iii) guaranteeing the incomes and bringing about the resettlement of workers forced to leave or change their jobs.

The scale of restructuring, redevelopment and resettlement is considerable: it involves an unavoidably large number of steel workers and a large number of others in secondary and tertiary activities linked with steel; the successful conclusion of this operation demands far greater funds than the Community policy has so far made available in normal times.

But failure to make this exceptional effort at Community level would eventually be far more costly for each Member State individually.

Finding the requisite funds for this policy entails maintaining the contribution made by the sector itself via the levy, applying a market policy based on restoring price levels and introducing a new factor, namely the allocation to the Community of the customs duties on coal and steel imports.

III. Increasing the budgetary funds

Under the Decision of 21 April 1970 on own resources, the duties of the common customs tariff were allocated to the Communities as own resources from 1 January 1971.

This allocation was not extended to the customs duties on coal and steel products covered by the ECSC Treaty, as the common customs tariff adopted on the basis of Article 9 of the EEC Treaty does not apply to products coming under the ECSC Treaty.

True, the customs duties on ECSC products may have been standardized in accordance with the decisions taken under Article 72 of the Treaty of Paris, but they are still allocated to each Member State which collects the amounts when the goods are imported on to its territory.

According to the estimates available at the Commission, these customs duties amount to around 50-60 m EUA.

As regards the ECSC's budgetary requirements for 1978, the Council has, during the study of the revision of the ECSC administrative budget, already been notified of some of the foreseeable budgetary problems. The Commission stated then that the extra uncovered financing requirements would be between 32 and 65 m EUA. This assessment was based on the assumption that the ECSC levy rate would be maintained at 0.29% and that administrative expenditure would be reduced from 18 to 5 m EUA.

COREPER gave its agreement to the second assumption at its meeting on 26.10.77.

In its draft budget for 1978, the Commission included allocations of 152 m EUA which it considers irreducible and which, moreover, represent only 56% of requirements.

in m EUA

Category of expenditure	Requirements	Draft budget
1. Administrative expenditure	5	5
2. Resettlement aid	81.5	60
3. Research aid	82.5	41
4. Interest relief	85	40
5. Aids to coking coal and metallurgical coke	6	6
	273	152

The steel crisis has thus led, in particular, to increased requirements for resettlement aid amounting to 60 m EJA (compared with 25 m EJA in 1977) and interest subsidies amounting to 40 m EJA (compared with 15 m EJA in the initial budget and 21.8 m EJA in the amending budget for the financial year 1977).

On the revenue side, this budget will be 32 m EJA in deficit if it is assumed that the levy rate is maintained at 0.29%. As it is evidently not advisable to take any decision to increase the rate and as other possibilities exist for obtaining the necessary resources, the Commission proposes to the Council that the deficit of 32 m EJA should be covered by transferring to the ECSC some of customs duties collected on coal and steel in 1978.

This transfer may be conducted on the legal basis of the second paragraph of Article 49 of the ECSC Treaty, and would amount to a gift from the Member States to the Community.

IV. Conclusion

The Commission proposes to the Council that the necessary procedures be set in motion for allocating the ECSC customs duties to the ECSC operational budget as soon as possible. In the meantime, and in part anticipation of a decision along these lines, the Commission considers that the exceptional financial requirements of the steel sector in 1978 and the major economic and social interest of pursuing an effective Community policy for the restructuring and redevelopment of the steel sector and the resettlement of the workers involved fully justify a decision by the Member States to transfer to the European Coal and Steel Community a voluntary contribution of 32 m EJA from the revenue from the customs duties which they collect on goods which they import from non-member countries and which come under the Treaty establishing this Community.

A draft Decision to this effect is contained in the annex.

If this proposal meets with insurmountable difficulties, the Commission will not accept a situation in which the volume of the ECSC operational budget falls to the level corresponding to a levy rate of 0.29%, since this would not form an adequate basis for a rational and effective policy. In this case the Commission would immediately submit a new draft budget increasing the levy to the extent required to achieve budgetary equilibrium.

Draft
Decision

by the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, allocating additional revenue to this Community.

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN COAL AND STEEL COMMUNITY, MEETING WITHIN THE COUNCIL,

Whereas, in the present economic situation of the coal and steel industry, it is necessary to increase the financial means at the Commission's disposal for accomplishing the task assigned to it by the Treaty establishing the European Coal and Steel Community; whereas under Article 49 of this Treaty, the Commission "may receive gifts"; whereas the Member States should now grant it gifts of additional revenue, the most appropriate being the revenue from the customs duties which they collect on coal and steel in the course of trade with non-member countries;

in agreement with the Commission,

HAVE DECIDED:

Article 1

The Member States shall transfer to the European Coal and Steel Community for the financial year 1978 a voluntary contribution of 32 m EUA from the revenue from the customs duties which they collect on goods which they import from non-member countries and which come under the Treaty establishing this Community.

Article 2

The Member States shall, in close collaboration with the Commission, take all appropriate measures to ensure the implementation of the provisions of Article 1; they shall in particular fix the common conditions for making available to the Community the sums referred to in this Article.

Article 3

The Member States shall take all the measures to implement this Decision.

Done at,

The President

