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Background note

on

EC-US relations in the steel sector

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EEC-USA RELATIONS IN THE STEEL SECTOR

The steel produced in the Community may be divided into two broad categories: ordinary steels, also known as rolled steels, which account for approximately 85% of output, and special steels, which are steels containing alloys.

Only these two categories are covered by the ECSC Treaty. Tubes are not covered by this Treaty, whereas in the USA they are included among steel products.

The Community countries have traditionally exported steel products to the USA, which is by far a net importer. However, although the volume of its exports over the past 10 or 15 years has more or less been maintained in absolute terms, despite sizeable fluctuations in some years, the Community's share of the United States' market has seriously declined. The voluntary restraint agreements concluded seem to have worked to the advantage of third countries. Thus, between 1970 and 1984, the market shares of countries other than those comprising the EEC and Japan rose from 2% to 13%.

It is in the light of these considerations that the ensuing historical background to the EEC-USA negotiations, the tables and the account of the latest known developments should be assessed.

PRINCIPAL STAGES IN THE STEEL DISPUTE
BETWEEN THE EEC AND THE USA SINCE 1968

1. 1968: First Europe-USA voluntary restraint agreement concluded between European steel producers and the US Government for 3 years.
2. 1971: Extension of the agreement until 1974.
3. 1976: Imposition by the United States Government of import quotas on the main categories of special steels (Section 201: 'Escape clause').
4. 1978: Introduction of the trigger price system (minimum import prices).
5. January 1980: Complaint about dumping lodged by US STEEL against a number of European producers. Suspension of the trigger price system.
6. October 1980: Withdrawal of complaints by US STEEL and introduction of a strengthened trigger price system.
7. January 1982: Fresh complaints about dumping and countervailing duties lodged by US STEEL and seven American companies against most ECSC exporters (trigger price system discontinued).
8. October 1982: EEC-USA arrangement and withdrawal of complaints.
9. Beginning of 1983: Procedure initiated under Section 301, and then Section 201, by the Association of US Producers of Special Steels against imports of stainless flat and long products and high-speed tool steels. This complaint led to the imposition of quotas on some products and higher customs duties on others.
10. February 1984: Complaint lodged by BETHLEHEM STEEL (Section 201) against all imports of steel products (+ tubes and wire-drawn products) apart from the products covered by the complaint (Section 201) concerning special steels.
11. September 1984: Decision by President Reagan to reject the recommendations made by the International Trade Commission at the end of the Section 201 procedure, but to enter into a series of negotiations with the aim of eventually reducing total imports of steel products (excluding semi-products) to 18.5% of American consumption. At the same time, Congress broadens the scope for intervention by the Administration.
12. November 1984: Unilateral embargo imposed on imports of tubes from the EEC, followed by negotiations and agreement with the EEC on a sizeable reduction of the quantity of tubes imported.
13. February 1985: Official request for consultations with the EEC on imports of a number of products, especially semi-products, which were not subjected to quantitative restrictions by the 1982 agreement, on the grounds that such imports are excessive. Conclusion of agreements on the limitation of sales on the American market with a dozen or so countries, and further negotiations with several others.

P.S.: The above list only covers the main stages of the dispute over the period 1968 to 1985. It must be pointed out that countless other more specific measures were taken by the Americans against various categories of steel products originating in ECSC countries.

Steel - Output of finished rolled products

('000 tonnes)

	EUR 9	USA
1973	111 516	
1974	115 574	
1975	89 632	78 736
1976	97 217	
1977	96 092	89 661
1978	102 639	96 353
1979	107 694	98 715
1980	99 182	82 574
1981	98 622	87 102
1982	87 250	60 627
1983	85 857	

Sources: EUROSTAT, Steel industry, 1952-1982
Quarterly Bulletin on the Steel Industry, 3-1984
USA, Abstract of Statistics, 1984

USA
MARKET SHARES OF IMPORTS
STEEL MILL PRODUCTS

%

Year	Total imports	EEC	Japan	Other countries
1970	13.76	5.56	6.11	2.09
1971	17.86	8.30	6.74	2.81
1972	16.58	7.29	6.04	3.25
1973	12.36	6.16	4.60	1.60
1974	13.35	5.37	5.15	2.83
1975	13.49	4.63	6.57	2.30
1976	14.13	3.15	7.90	3.08
1977	17.80	6.30	7.21	4.29
1978	18.12	6.46	5.56	6.10
1979	15.24	4.75	5.51	4.98
1980	16.27	4.13	6.31	5.83
1981	19.13	6.23	5.98	6.92
1982	22.08	7.42	6.87	6.50
1983	20.26	4.91	4.99	10.35
1984	26.38	6.38	6.68	13.32

Source : AISI

GENERAL

Trade relations between the Community and the United States in the steel sector have been particularly strained since 1982. Ordinary steel exports from the Community to the US have been governed since October 1982 by an Arrangement, which runs from 1.11.1982 to the end of 1985. This Arrangement provides for the voluntary restraint of Community exports, i.e. quotas for 10 rolled-steel products which level is linked to projected US consumption. An independent organization (DRI) regularly draws up consumption estimates as a reference for the calculation of quotas. The Arrangement for these 10 products has worked reasonably well. In addition to the 1982 Steel Arrangement 17 steel products, notably semi-products, were included in the Arrangement under the heading "products subject to consultation", but they were not subject to exact quantitative restrictions. Also with the Steel Arrangement the US and the Community signed an exchange of letters on pipes and tubes stipulating that there should be consultation if Community exports to the US exceeded the 1979-1981 average of 5.9% of US consumption.

PROBLEMS

a) Special Steel

On 5 July 1983, The US authorities decided to impose restrictions on imports of special steels from all sources, including the Community, in the form of increased tariffs and quotas. After inconclusive consultations the Council decided on 23 November 1983 to adopt countervailing measures, in accordance with GATT regulations, against certain American exports with effect from 1 March 1984. The Community measures consist of the augmentation of customs tariffs and the implementation of quantitative restrictions for certain chemicals, sports goods and security devices. The Council has prolonged these measures with some modifications from 1 March 1985 to 28 February 1986 since the restrictions of special steel products from the Community have not been abolished.

b) Pipes and tubes

On 27 November 1984 the US ordered a complete embargo on the imports of pipes and tubes from the Community until the end of 1984 and a restriction of imports to 5.9% of apparent consumption. The Community felt that these measures were not consistent with the exchange of letters of Oct. 1982, according to which the 5.9% figure was not a mandatory ceiling on Community exports but simply the level beyond which consultations were required. These consultations had taken place since the US government had asked for them on 6 April 1984. After the embargo the Council denounced the exchange of letters and called for a special meeting of the GATT Council. On 5 January 1985 an agreement was reached with the United States which included: a market share of 7.6% for Community products for 1985 and 1986, excluding products which the American industry cannot supply (short-supply clause), a 10% subceiling for Oil Country Tubular Goods (OCTG) and an arrangement for the 263,000 tonnes of tubes held in US bonded warehouses during the embargo. The present controversial issue is about the application by the United States to All American Pipe-Line tubes of the short supply clause under the January tube arrangement. The United States refuses to give import licenses for the 320,000 tonnes under contract for the All American Pipe Line, saying that, according to a survey, American producers would be able to provide the volume of tubes. Steel producers in the Community have noted that the U.S. industry is not capable of supplying the required tonnage to the desired standards of quality.

The Industry Council of 26 March 1985 and General affairs Council of 20 May 1985 have protested against the US Administration's interpretation of the short supply clause, pointing out that the correct application of the short-supply clause is one of the essential elements which led the Community to accept the arrangement. The US administration has informally informed the Commission that it would accept a certain amount of tube imports from the Community under the short supply clause making the condition that the question of tubes and pipes will be brought into the new negotiations of the 1982 Arrangement which expires at the end of this year.

c) Consultation products

As regards the consultation products, the United States has put forward arguments on 27/82 February 1985 that the increase of steel imports on the US markets was the result of a transfer of products subject to consultation, i.e. outside the quantitative limitation Arrangement, to outlets lost as a result of the quota products covered by the Arrangement. The Commission believes

it has demonstrated in detail that diversion of trade did not occur.

The request of the USA that additional products should be added to the list of the ten products, included in the Arrangement, would mean that the whole of the ordinary steels sector would be subject to quotas. The Commission takes the view that the increase in supplies of products not subject to the Arrangement is not the result of a deliberate export policy of shifting efforts to those products for which there is no quantitative restriction on the Community share of the American market: it is much rather the result of the exceptionally high level of the dollar and certain qualitative demands. In addition, third countries which have no arrangement with the US also increased their shares which, globally speaking rose from 9.8% in 1981 to 17.78% in 1984. As regards semi-products, which are imported by the American steel industry, it is impossible to find evidence for the existence of a possible trade diversion. The US has announced that it may take unilateral measures to restrict imports of some of the products in question. For the Community there are therefore only two possibilities left: to allow the American measures to be introduced and to take countervailing measures itself under GATT rules, or seek a compromise which might consist of the inclusion of certain consultation products in the list of products subject to quantitative restrictions in relation to apparent consumption on the American market. A second round of consultation has not taken place yet.

The US policy aims to conclude bilateral agreements about market shares. At the end of May 1985 the USA and Japan have signed an agreement in which Japanese steel exports will be limited for a 5 year period to 5.8% of the US market. Through these agreements the market shares of foreign producers on the US market are to be reduced from 27 to 18.5 percent. The US government is exercising considerable pressure to review the expiring 1982 Arrangement and to extend it to other steel product imports from the Community. It considers also a linkage with the January 1985 agreement on pipes and tubes exports from the Community to the United States.

Recent Resolutions European Parliament:

- Resolution of 18.4.1985 (Am. 1 to DOCS B2 - 147, 157, 160, 166/85)
Protesting against escalating protectionism by the USA against Community Steel imports.
- Resolution of 13.12.1984 (OJ C 12, 14.1.1985, p. 79)
US restrictions on EEC steel pipe and tube imports.
- Resolution of 12.4.1984 (OJ C 127 of 14.5.1984, p. 100)
Trade relations between the EEC and the USA in the steel sector.

