1. The CONTRACTING PARTIES to the GATT, under Point II, 7, of their Decision of 10 November 1952, relating to the European Coal and Steel Community, requested that from the date of the creation of the common market for coal products and until the end of the transitional period as defined in Section 1, paragraph 4 of the Convention, the Governments of the Member States submit an annual report to the CONTRACTING PARTIES on the measures taken by them towards the full application of the Treaty.

2. The Member States of the Community submitted in 1953 their first report to the CONTRACTING PARTIES. The report was distributed by the GATT secretariat (GATT document L/120, 4 September 1953) together with a supplementary note prepared by the secretariat (GATT document L/143, 29 September 1953).

The report of the GATT Working Party (GATT document G/56, 20 October 1953), adopted by the CONTRACTING PARTIES on 23 October 1953, declares that the measures taken by the Member States are consistent with the terms of the Waiver. The same report also notes certain suggestions for the drafting of the second annual report and account has been taken of these suggestions in this document.

Lastly, the CONTRACTING PARTIES had suggested that during the course of the year the Member States should inform the contracting parties as quickly as possible of any measures taken by them in respect of coal and steel products. In accordance with agreed arrangements between the secretariat of the Special Council of Ministers and the GATT secretariat, the latter has on several occasions received information about measures taken by Member States and has ensured the publication of such information in the "International Trade News Bulletin".

3. The first annual report of the Member States discussed the measures taken by them up to 31 August 1953 inclusive. The present report deals with the measures taken by the Governments of the Member States after that date. In addition, in order to anticipate wishes which may be expressed by certain contracting parties, this report has been prepared in a wide spirit of understanding and embodies a certain amount of information on questions raised at the Eighth Session.
Development of the common market for coal, scrap and ordinary steel since 31 August 1953

1. Joint measures taken by the six Member States

4. The "Common Nomenclature" prepared during the previous year by the Governments of the Member States with the co-operation of the High Authority and which was appended to the first annual report (Annex VII) has been completed and revised in the light of experience. The new text of the Nomenclature is appended as Annex I to this report.1

5. For all products covered by the Treaty constituting the European Coal and Steel Community, there are at present no export duties within the Community, as export duties on scrap previously levied by France were suspended by the French Government by a decree dated 16 April 1954.

6. Since 31 August 1953, no joint measures have been taken by the Governments in connection with quantitative import restrictions.

7. The only existing quantitative restrictions on exports to third countries relate to scrap. These restrictions were already in force before the opening of the common market. The Working Party set up by the CONTRACTING PARTIES during their Eighth Session recognized that export restrictions on scrap were justified on account of the supply situation in the Community. The Governments of the Member States and the High Authority again declared in March and July 1954 that the market situation called for the maintenance of controls over exports from the Community to third countries. These export controls are applied to consumer countries without any discrimination and are adapted to changing market conditions.

Thus it was that from August 1953 the Governments of the Member States, in agreement with the High Authority, authorized the export to third countries of 210,000 tons of scrap for blast furnaces and in March 1954 the German, French, Belgian and Netherlands Governments again authorized the export of 100,000 tons of scrap for blast furnaces. In view of the special conditions obtaining on the scrap market as a result of the breaking up of old ships, a special procedure designed to allow for exports has been laid down in this field.

1 Note by the Executive Secretary: The secretariat is preparing a document containing the revised Common Nomenclature together with the corresponding numbers of the national tariffs of the Member States. Therefore Annex I is not reproduced in this document.
2. Measures taken by the Governments of the Member States

8. The legislative and administrative measures enacted by the various Governments regarding import duties are reproduced in Annexes II - VII. A copy of the official texts regarding each measure was deposited with the GATT secretariat and put at the disposal of the delegations in the original language or, where necessary, in a French translation.

It should be noted in this connection that the Government of the Federal Republic of Germany has extended to 31 August 1955 the tariff quotas imposed on 1 September 1953 which included duties on ordinary steel varying from 6 to 8 per cent (cf. paragraph 12 of the first annual report). These measures are set out in paragraph 3 of Order No. 6 of 31 July 1954 relating to modifications of customs tariffs (Annex II of the report).

In addition, the suspensions of customs duty reductions on:

- Coils of a width not exceeding 1,500 millimetres
- Coils of a width exceeding 1,500 millimetres
- Vanadium and titanium pig iron
- Electric sheets and plates containing less than 2 per cent of silicon and having a watt-loss of less than 1.03
- Plates and sheets for ship-building

introduced provisionally by the Governments of the Member States (with the exception of Italy) prior to the opening of a common steel market, are still in force.

3. General information

9. The secretariat of the Special Council of Ministers of the Community has supplied statistics to the GATT secretariat. These statistics provide information on the evolution of production in the Member States and on the movement of trade between the Community and third countries in the field of coal and steel.

These statistics show that the coal output of the Community countries remained almost stationary between May 1952 and April 1954. Steel output, following the tendencies of the world market, fell slightly during the same period, although in the latter months a recovery was to be noted.

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1 Note by the Executive Secretary: Extracts of the principal legislative and administrative measures will be reproduced in a supplement to the "International Trade News Bulletin".
Since the creation of the common market, trade between the Community countries has increased to a notable extent. For coal, the increase was about 22 per cent in 1953 as compared with 1952, while the increase for steel was 24 per cent for the last quarter of 1953 as compared with the first six months. The volume of trade in scrap increased fourfold during 1953.

Steel imports from third countries increased in 1953 as compared with 1952, the volume of exports remaining more or less stationary during the same period. The volume of scrap imports did not undergo any noticeable changes in 1953 as against 1952, while exports declined on the whole. The volume of the coal imports of the Community fell in 1953 as compared with 1952, while exports increased during the same period.

10. During the Eighth Session, several contracting parties asked whether as a result of the obligation to keep the High Authority informed of proposed commercial agreements, as required under Article 73 of the Treaty, Governments were influenced in their commercial policy when concluding trade agreements, to the extent that such agreements relate to coal and steel. It should be noted that during the period under consideration the Governments of the Member States have consistently brought to the notice of the High Authority such proposed trade agreements and in no case did the latter raise any objection. In order not to delay negotiations undertaken by Member States with a view to the conclusion of trade agreements, a special emergency procedure has been adopted, which makes it possible to reduce the period of ten days within which, under Article 75 of the Treaty, the High Authority has to address its recommendations to the interested State.

11. With regard to the question of export prices which was raised at the Eighth Session of the CONTRACTING PARTIES during the discussion of the Community's report, there is no new significant development to report.

For that reason, the Governments of the Member States reiterated the declaration made at the Eighth Session of the CONTRACTING PARTIES to the effect that differential prices are fully compatible with the exigencies of free competition. The High Authority has surveyed all questions of prices and has found that the export price level charged by producers within the Community on third markets was and still is equitable.

12. Under the Treaty constituting the ECSC, member countries of the Community have to take account of the interests of third countries both as consumers and as suppliers of coal and steel products. It was with that end in view that the Special Council of Ministers of the Community adopted, on 13 October 1953, a resolution relating to the possible application of the provisions of Article 59, paragraph 5, of the Treaty, in which, inter alia, it is stated:

"The representatives of the Member States emphasized that Article 3(a) of the Treaty requires the Community to take account of the interests of third countries, while Article 3(f) requires them to further the development of international trade; furthermore, Article 59(3) of the Treaty
provides that, in case of shortage, the resources of the Community shall be allocated among the Member States on the basis of exports to third countries.

"After discussion, the representatives of the Member States expressed their agreement as to the need to take the fullest account of the interests of third countries in times of shortage; They therefore considered that the fullest consideration should be given to reasonable commitments undertaken by the Member States of the Community with third countries.

"The representatives of the Member States considered that the notion of 'reasonable commitments' depends both on the period and on the quantities involved in such commitments, due consideration being given to the traditional export channels of each Member State."

III

Establishment of a common market for special steels

13. In accordance with the decision taken on 24 June 1954 by the Special Council of Ministers in agreement with the High Authority, the common market for special steels mentioned in Annex III(a), (b) and (c) of the Treaty was set up simultaneously for the three categories of steel on 1 August 1954.

The result is that, subject to the exception noted in paragraph 15 below, import and export duties or taxes with an equivalent effect and quantitative restrictions on coal and steel products were eliminated within the Community as from 1 August 1954 (cf. III(1) and (3) of the Waiver).

14. An extension of the Common Nomenclature was not necessary for special steels as those were already mentioned under Heading No. 73.15 of the existing Nomenclature. On the contrary, it was possible to shorten Heading No. 73.15 of the Common Nomenclature because of the simultaneous inclusion in the common market of the three categories of special steel. For the revised Nomenclature see paragraph 4 and Annex I of this report.1

15. The exception mentioned in paragraph 13 above derives from the special provisions of Section 30 of the Convention containing the Transitional Provisions, under which the High Authority is empowered to authorize the Italian Government to maintain a certain amount of customs protection within the Community. This possibility is, moreover, recognized in Point I(1) of the Waiver.

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1 For Note by the Executive Secretary, see page 2.
16. On 23 July 1954, the High Authority sent to the Italian Government a letter on the question of the application of paragraph 30 of the Convention containing the Transitional Provisions to the Italian special steel industry. This letter authorizes the Italian Government, as from the date of the opening of the common market for special steel, to fix certain maximum rates for customs duties on deliveries to Italy of special steel products from the Community countries.

The maximum rates authorized by the High Authority are to be reduced by stages, within the limits laid down in paragraph 30(1) of the Convention containing the transitional provisions. The High Authority reserves the right to reconsider one year after the opening of the common market for special steels or later, the circumstances leading up to the existing regulations.

The High Authority's letter of 23 July 1954 to the Italian Government, which contains a table of maximum rates of customs duties applicable to special steels is reproduced in Annex VIII of this report.

17. On 29 July 1954 the High Authority, acting under paragraph 15 of the Convention which provides for tariff quotas to be established by the Benelux countries, sent a letter to the Minister of Foreign Trade of Belgium by which it confirmed that it had taken cognizance of the tariff quotas submitted for its approval by the Belgian Government in its letter of 28 July 1954. These quotas have been applied since 1 August 1954, on the basis of the present rates of the Benelux customs tariff, to special steels from third countries. The High Authority also took note of the provisional allocation of these quotas between the Netherlands and the Belgo-Luxemburg Economic Union. The figures given by the Belgian Government are valid up to 31 July 1955.

Similar letters have been exchanged between the High Authority and the Government of the Netherlands.

The High Authority also took note of the fact that the Governments of the Benelux States intend to apply to special steel imports and exports the system of double controls already in force in the case of the tariff quotas for pig iron and ordinary steel.

The High Authority's letters to the Minister of Foreign Trade of Belgium and to the Government of the Netherlands are reproduced in Annexes IX and X of this report.

18. For the purpose of taking account of the interests of third countries, France and the Federal Republic of Germany agreed provisionally to apply to special steels, as from the creation of the common market, lower customs duties than those in force under their respective national tariffs.
The rates adopted are the same as those applied since 1 August 1954 by the Benelux countries for imports which take place over and above their tariff quotas.

Italy continues to apply to third countries the duty rates agreed upon as a result of the Annecy tariff negotiations.

The legislative and administrative measures enacted by the various governments as a result of joint decision are reproduced, country by country, in Annexes II-VII.

The Community will endeavour to pursue the harmonization of its customs duties towards third countries in accordance with the provisions of paragraph 15 of the Convention containing the Transitional Provisions.

IV

The Community's negotiations with third countries

19. The report of the GATT Working Party of 20 October 1953, approved by the CONTRACTING PARTIES on 23 October, expressed the hope that negotiations between the Community and third countries would be initiated with a view to regulating their economic and trading relations in respect of coal and steel and that the necessary arrangements would be made to ensure that those negotiations would be completed by 1 May 1954, the date originally fixed in the Treaty for the opening of the common market for special steels.

On behalf of the Governments of the Member States, the High Authority has officially informed the countries concerned that the Community was prepared to enter into negotiations on special steels, but Austria is the only country that has expressed the wish to initiate such negotiations.

Moreover, the Member States declare that they are still ready to open negotiations with the governments of third countries, on their overall economic and trading relations in respect of coal and steel.

20. Although the negotiations between the Community and Austria were limited to the question of special steels, they were carried out within the framework of paragraph 14 of the Convention containing the transitional provisions which provides for negotiations on overall economic and commercial relations. The negotiations have not yet been completed.

21. Parallel with the negotiations between the Community and Austria, talks on possible negotiations on the subject of special steels took place between the High Authority and the Permanent Mission of Sweden in Luxembourg, although these talks have so far not resulted in official negotiations between the Community and the Swedish Government.
22. On 11 August 1952, immediately after the High Authority had begun its operations, the United Kingdom Government announced its intention of establishing the closest possible relations with the Community.

On 24 December 1953, the President of the High Authority transmitted to the Head of the United Kingdom Delegation attached to the High Authority a letter requesting him to inform his Government that the High Authority was ready to open negotiations immediately in order to establish definite forms of association between the Community and the United Kingdom. This proposal was received favourably by the United Kingdom Government but for various reasons the opening date for the said negotiations has had to be postponed several times. The United Kingdom Government does not consider it opportune to open separate negotiations on the question of customs duties for special steels.

The letters exchanged between the High Authority and the United Kingdom Delegation in Luxemburg are reproduced in Annexes XI and XII of this report.

23. The Governments of the Member States wish to establish closer and closer relations with third countries. They hope that the negotiations already begun, as well as those envisaged for the near future with various third countries, will contribute to the realization of that wish.
LIST OF ANNEXES

Annex I
Common Nomenclature, revised up to 14 July 1954.¹

Annex II
Measures taken by the Government of the Federal Republic of Germany since 1 September 1953.

Annex III
Measures taken by the Belgian Government since 1 September 1953.

Annex IV
Measures taken by the French Government since 1 September 1953.

Annex V
Measures taken by the Italian Government since 1 September 1953.

Annex VI
Measures taken by the Luxemburg Government since 1 September 1953.

Annex VII
Measures taken by the Netherlands Government since 1 September 1953.

Annex VIII
Letter from the High Authority, dated 23 July 1954, to the Italian Government regarding the application of paragraph 30 of the Convention on Transitional Provisions to the special steels industry of Italy.

Annex IX
Letter from the High Authority to the Minister of Foreign Trade of Belgium, dated 29 July 1954.

Annex X
Letter from the High Authority to the Minister of Economic Affairs of the Netherlands, dated 17 August 1954.

Annex XI
Letter from the High Authority to the Head of the United Kingdom Delegation in Luxemburg, dated 24 December 1953.

Annex XII
Letter from the Head of the United Kingdom Delegation in Luxemburg to the High Authority, dated 29 April 1954.

¹ Note by the Executive Secretary: see footnote to page 2.
ANNEX II

MEASURES TAKEN BY THE GERMAN FEDERAL GOVERNMENT

SINCE 1 SEPTEMBER 1953

1. Measures taken since 31 August 1953 regarding the common market for coal, iron ore, scrap and ordinary steel

* a) Circular decree (Runderlass Aussenwirtschaft) No. 51/54 of 29 June 1954 relating to the importation of goods against payment (repeal of circular decrees) (Bundesanzeiger No. 128 of 8 July 1954).

* b) Circular decree (Runderlass Aussenwirtschaft) No. 52/54 of 1 July 1954 relating to grant of a general authorization for the importation of goods against payment in pursuance of Circular decree No. 51/54 (Bundesanzeiger No. 128 of 8 July 1954).

* c) Fifth Order dated 11 March 1954 relating to the modification of customs tariffs upon the opening of the common market for coal and steel of the European Coal and Steel Community (Bundesgesetzblatt I, page 37).

In addition, the following measures, repealed in the meantime, were provisionally in force during the period covered by the report:

d) Circular decree (Runderlass Aussenwirtschaft) No. 79/53 relating to the exportation of coal, iron ore, scrap, iron and steel from the Federal Republic to member States of the European Coal and Steel Community. Circular decree modifying and completing Circular decree No. 36/53. (Bundesanzeiger No. 169 of 3 September 1953).

Repealed on 1 August 1954 by Circular decree (Runderlass Aussenwirtschaft) No. 70/54 (see below under point 2 (c)).

* The two measures mentioned under (a) and (b) were not introduced especially for coal and steel but are part of the new general rules for German foreign trade.
e) Circular decree (Runderlass Aussenwirtschaft) No. 105/53 relating to the importation of coal, iron ore, scrap, iron and steel from member States of the European Coal and Steel Community; repeal of Circular decrees (Runderlass Aussenwirtschaft) Nos. 38/53 and 49/53. Repealed on 1 August 1954 by Circular decree (Runderlass Aussenwirtschaft) No. 51/54 (see above point 1 (a)).

2. Measures taken regarding the opening of the common market for special steel

a) Notice of the Federal Ministry for Economic Affairs of 1 August 1954 relating to the opening of the common market for special steel within the European Coal and Steel Community. (Bundesanzeiger No. 147 of August 1954).

b) Sixth Order of 31 July 1954 relating to modifications of customs tariffs on the opening of the common market for coal and steel of the European Coal and Steel Community. (Bundesgesetzblatt I, page 220).

c) Circular decree (Runderlass Aussenwirtschaft) No. 70/54 of 12 August 1954 relating to the exportation of coal, iron ore, scrap, iron and steel to member States of the European Coal and Steel Community; repeal of Circular decrees (Runderlass Aussenwirtschaft) Nos. 36/53 and 79/53. (Bundesanzeiger No. 158 of 19 August 1954).

In view of the introduction on 1 August 1944 of new general regulations governing imports, no special regulations for imports were necessary. (See above under points 1(a) and (b)).
ANNEX III

MEASURES TAKEN BY THE BELGIAN GOVERNMENT

SINCE 1 SEPTEMBER 1953

a) Royal order of 28 July 1954 relating to the Import Duties Tariff

Moniteur Belge No. 212 of 31 July 1954.

b) Royal order of 29 July 1954 relating to the importation of products covered by the Treaty constituting the European Coal and Steel Community

Moniteur Belge No. 212 of 31 July 1954.
ANNEX IV

MEASURES TAKEN BY THE FRENCH GOVERNMENT
SINCE 1 SEPTEMBER 1953

a) Modification of the common nomenclature – harmonization of duties imposed on special steel – suspension of customs duties on lignite and electric sheets and plates.

b) Extension of reduced import duty to wire rod.

c) Exemption from import and export duties and taxes having an equivalent effect extended to certain alloy steels and to high carbon steel.

d) Movements of certain alloy steel and high carbon steel.

e) Coal imports.

f) Rates and conditions of application of the special "péréquation" tax.

h) Administrative regulations for the previous Order.

i) Conditions governing the issue of documents for exports of special steel to the Community countries.


ANNEX V

MEASURES TAKEN BY THE ITALIAN GOVERNMENT

SINCE 1 SEPTEMBER 1953

a) Ministerial decree of 29 July 1954 and circular containing administrative regulations on the opening of the common market for special steel.

Gazzetta Ufficiale No. 174 of 2 August 1954.

b) Ministerial decree of 31 April 1954 and circular containing administrative regulations of the Minister of Finance relating to customs duty on coke fixed at 13.5 per cent.


c) Circular of the Minister of Foreign Trade No. 76670 of 1 August 1954, relating to the opening of the common market for special steel.

Circular of the Minister of Foreign Trade No. 76670 of 1 August 1954.
ANNEX VI
MEASURES TAKEN BY THE LUXEMBURG GOVERNMENT
SINCE 1 SEPTEMBER 1953

a) Ministerial order of 3 August 1954 relating to the importation of products covered by the Treaty constituting the European Coal and Steel Community.

Memorial of the Grand Duchy of Luxemburg No. 43 of 10 August 1954.

b) Ministerial order of 3 August 1954 relating to import tariff.

Memorial of the Grand Duchy of Luxemburg No. 43 of 10 August 1954.
ANNEX VII

MEASURES TAKEN BY THE NETHERLANDS GOVERNMENT
SINCE 1 SEPTEMBER 1953

a) Royal order of 19 December 1953, suspension of import duties (Provisions adopted for the application of Decision IV of the ECSC).

b) Royal order of 23 June 1954, provisional application of certain modifications and additions to the import tariff, relating to the Treaty constituting the ECSC (Provisions adopted for the application of Decision No. V of the ECSC).

c) Royal order of 23 June 1954, suspension of import duties in relation to the application of the Treaty constituting the ECSC (Provisions adopted for the application of Decision No. VI of the ECSC).

d) Royal order of 28 July 1954, establishment of the date for the implementation of the provisions taken for the application of Decision No. V of the ECSC and the provisions for the application of Decision No. VI of the ECSC.
LETTER FROM THE HIGH AUTHORITY DATED 23 JULY 1954 TO THE ITALIAN GOVERNMENT CONCERNING THE APPLICATION OF PARAGRAPH 30 OF THE CONVENTION ON TRANSITIONAL PROVISIONS TO THE SPECIAL STEEL INDUSTRY OF ITALY

Sir,

I beg to refer to the Italian Government's request of 5 March 1954 for the right to maintain, for a certain period following the opening of the common market for special steel, customs protection in favour of the Italian special steel industry, in accordance with the terms of Section 30(1) of the Convention containing the Transitional Provisions.

In view of the special position of the Italian special steel industry, and especially of the social aspects related to the cost of labour which weigh heavily on the Italian steel industry; in view moreover of the conditions and the cost involved in the production of special steel in Italy as compared with those in other Community countries, the High Authority, in virtue of Section 30(1) of the Convention, has decided as follows:

1. The Italian Government is authorized, as from the opening of the common market for special steel, to fix the maximum rates laid down in the annex to this letter for customs duties on deliveries to Italy of special steel products from Community countries.

2. Without prejudice to the provisions of paragraph 3 below, the customs rates authorized, under paragraph 1 above, may in no case exceed the maximum limits provided for in Section 30(1) of the Convention for the periods therein specified. Consequently, the maximum rate authorized by this letter will have to be progressively reduced so as not to exceed the aforesaid limits.

3. At the same time, the High Authority reserves the right, in accordance with Section 30 of the Convention, to adopt one year after the opening of the common market for special steel or later, after the Italian Government has been heard, any other arrangements it may deem necessary in view of possible changes in the conditions and cost of the production of special steel in Italy or because of changing circumstances on the special steel market.

I am, Sir, etc.
<table>
<thead>
<tr>
<th>I. Ingots, blooms, billets, slabs, sheet bars, coils for rerolling</th>
<th>High carbon steel</th>
<th>Structural alloy steel (2)</th>
<th>Alloy electric sheets &amp; plates</th>
<th>High-speed steel</th>
<th>Stainless steel</th>
<th>Alloy steel for ball-bearings</th>
<th>Heat-resisting alloy steel &amp; magnet alloy steel</th>
<th>Alloy steel for tools &amp; other alloy steel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2a)</td>
<td>(2b)</td>
<td>(2c)</td>
<td>(2d)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>I. Ingots, blooms, billets, slabs, sheet bars, coils for rerolling</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>8%</td>
<td>6%</td>
<td>5.5%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>II. Wire rod</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>III. Bars and rods (including hollow mining drill steel) and angles, shapes &amp; sections</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>14.5%</td>
<td>11%</td>
<td>10%</td>
<td>13%</td>
<td>7.5%</td>
</tr>
<tr>
<td>IV. Hoop and strip</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>15.5%</td>
<td>12%</td>
<td>11%</td>
<td>14.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>V. Universal plates &amp; sheets</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>15.5%</td>
<td>12%</td>
<td>20%</td>
<td>11%</td>
<td>14.5%</td>
</tr>
</tbody>
</table>
(1) As defined in the Common Nomenclature.

(2) As defined in the Common Nomenclature.

(2a) Steel for automatic screw-cutting lathes containing, by weight:

- 0.10 per cent or more of sulphur, or
- 0.10 per cent or more of lead, or
- 0.20 per cent or more of sulphur and lead, taken together,

and, in the three above cases, any other alloy element the content of which is lower than the limits specified in the Common Nomenclature for alloy steel.

(2b) Steel for springs, sub-divided into three categories:

I) silicon steel, containing, by weight

more than 2 - 2.2 per cent of silicon, or
more than 2 - 3.2 per cent of silicon and manganese, taken together,

and, in both cases, any other alloy element the content of which is lower than the limits specified in the Common Nomenclature for alloy steel;

II) chromium-vanadium steel, containing, by weight:

- 0.50 - 1.20 per cent of chromium,
- 0.10 - 0.25 per cent of vanadium,

and, any other alloy element the content of which is lower than the limits specified in the Common Nomenclature for alloy steel;

III) chromium-silicon steel, containing, by weight:

- 0.50 - 1.20 per cent of chromium, plus
- 2 - 2.40 per cent of silicon and manganese, taken together,
- 0.50 - 0.70 per cent of nickel,

and, any other alloy element the content of which is lower than the limits specified in the Common Nomenclature for alloy steel.

(2c) Containing, by weight, 1.6 per cent or less of nickel.

(2d) Containing, by weight, more than 1.6 per cent of nickel.

(3) As defined in the Common Nomenclature.

(4) As defined in the Italian customs tariff at present in force, namely:

containing, by weight, more than 9 per cent of tungsten, vanadium and molybdenum, taken together, also with the addition of other alloy elements.

(5) As defined in the Italian customs tariff at present in force, namely:

containing, by weight, more than 12 per cent of chromium, also with the addition of other alloy elements.
(6) Containing, by weight, 0.95 - 1.10 per cent of carbon, 
   1.40 - 1.65 per cent of chromium 
   and any other alloy element the content of which is lower than the 
   limits laid down in the Common Nomenclature for alloy steel.

(7) Containing, by weight, more than 44 per cent of chromium and nickel, 
    taken together, also with the addition of other alloy elements.

(8) Containing, by weight, 1 per cent and more of carbon 
   6 - 12 per cent of chromium 
   2 per cent and more of cobalt.

(9) Alloy steels as defined in the Common Nomenclature, do not come under 
    definitions (2) to (8) above.
LETTER FROM THE HIGH AUTHORITY TO THE BELGIAN
MINISTER OF FOREIGN TRADE, DATED 29 JULY 1954

Sir,

In your letter of 28 July 1954, you were good enough to submit for the approval of the High Authority, in pursuance of Section 15 of the Convention containing the Transitional Provisions, draft tariff quotas for the Benelux countries, covering the special steel to be placed on the common market on 1 August 1954.

You pointed out that these quotas would be allocated in principle between the Netherlands and the Belgo-Luxemburg Economic Union in the following manner:

<table>
<thead>
<tr>
<th>Customs Item</th>
<th>Netherlands (provisional)</th>
<th>BLEU (provisional)</th>
<th>Benelux</th>
</tr>
</thead>
<tbody>
<tr>
<td>710 A. High carbon steel</td>
<td>400 t.</td>
<td>1,600 t.</td>
<td>2,000 t.</td>
</tr>
<tr>
<td>B. Alloy steel</td>
<td>9,500 t.</td>
<td>3,600 t.</td>
<td>5,900 t.</td>
</tr>
</tbody>
</table>

These import estimates cover the period 1 August 1954 - 31 July 1955 and the figures given represent the extrapolation for a statistical year based on the last eight months of 1953.

The High Authority notes your intention to transmit to it without delay a report on any cases where these quotas are exceeded and, referring to its letter of 29 April 1953 relating to the tariff quotas fixed for the Benelux countries in respect of ordinary pig iron and steel, it begs to point out that the system of double controls established for these products on import (in the form of an undertaking not to re-export) and on export (in the form of a requirement to produce a manufacturer's certificate or proof that the highest customs duties were paid on the import of the goods) will be applied to special steel.

I am, Sir, etc.
ANNEX X

HIGH AUTHORITY

No. 26.802

Luxemburg, 17 August 1954

To: His Excellency
Prof. Dr. J. Sijlstra,
Minister of Economic Affairs,
The Hague.

Sir,

I beg to acknowledge receipt of your letter No. 29.151 "Bex" 4-15-2 of 10 August relating to tariff quotas for special steel.

At the end of July, the Belgian Government sent an identical letter to the High Authority, I beg hereby to confirm the reply to those proposals, which has since been published in the Journal Officiel of the Community (J.O. of 1 August 1954).

In this connexion, I beg to refer you to the attached copy of the Journal Officiel, page 482, and to point out that in the French edition, a printing error has crept into the figures; this mistake will be corrected as quickly as possible.

I am, Sir, etc.

(signed) E. GIACCHERO

Member of the High Authority
Sir,

On 11 August 1952, shortly after the High Authority had begun to function, the United Kingdom Government announced its intention of establishing close and continuing relationships with the ECSC and appointed you as its representative to prepare for such an association.

The High Authority immediately expressed its satisfaction with the United Kingdom's intentions as well as its confidence in the successful development of the association.

On 17 November 1952, the first meeting was held of the Joint Committee, which it had been agreed to set up, this meeting being attended by the High Authority and the United Kingdom Delegation, while United Kingdom and ECSC experts met in a number of working parties.

At the session of the Common Assembly held in Strasbourg in June 1953, the High Authority stated that it was preparing for submission to the United Kingdom Government proposals regarding measures for the realization of the association desired by both parties.

Now that the common market for coal and steel has become a reality and we have some experience of the conditions in which the ECSC institutions work, the time would appear to be ripe for the establishment by agreement of the forms which the proposed association should take.

Perhaps, therefore, you will be so good as to inform the United Kingdom Government that the High Authority is ready immediately to open the necessary negotiations. The High Authority would be pleased to be informed in due course of the United Kingdom Government's intentions in this matter.

* * *

His Excellency, Sir Cecil Weir,  
Head of the British Delegation to the High Authority of the European Coal and Steel Community,  
45, boulevard Royal,  
Luxemburg.
The High Authority has made a study of the orientation which the association could be given. It takes the liberty of making a few suggestions to the United Kingdom Government, on the understanding that these suggestions will not in any way prejudice the discussion of the numerous questions which will probably arise during the course of the negotiations.

The aim of the proposed association between the ECSC and the United Kingdom is to contribute to the common prosperity of both parties by establishing common plans for the development of their coal and steel production, by concerting activities in those fields and by giving their respective economic systems the benefit of wider competition and more assured supplies and markets.

The High Authority feels that the measures adopted should aim at bringing the greatest benefits not only to the ECSC and the United Kingdom but also to international trade in an expanding world.

The opening of a real common market and the advantages resulting therefrom can, in our opinion, be secured only by pooling resources and setting up joint institutions to which power of action and decision would be delegated. The United Kingdom Government has announced that it could not consider such a solution. In its desire to establish the closest relations that such a situation may permit, the High Authority proposes the adoption of the following measures as a means of association between the ECSC and the United Kingdom:

- an association between the respective markets, resulting from the reduction and, if possible, the reciprocal abolition of protective measures and the establishment of rules which each party will undertake to observe;

- procedures for joint action;

- joint institutions responsible for the supervision of the operation of the system, the preparation of joint action and the adoption of agreed decisions

*   *

The High Authority wishes to add a few explanations on these points.

1. The Association between the markets

Here the aim should be to reduce or eliminate restrictive measures which hamper the distribution on coal, as well as to reduce or eliminate all quantitative restrictions and customs duties on steel.
The High Authority has to point out that for all questions coming under Section 14 of the Convention containing the Transitional Provisions it has to receive instructions from the Council of Ministers of the Community. It would also be necessary to harmonize the form which the market association may take and the provisions of international agreements in respect of trade and tariffs.

In order that the association of the markets, made possible by the reduction or the elimination of protective measures, may have the best economic results, trade between the markets would have to be subjected to certain rules which would take account of the characteristics of both the coal and steel markets. These rules would have to be drawn up in the form of a reciprocal undertaking between the United Kingdom and the ECSC. It is natural that the High Authority for its part should seek rules similar to those embodied in the Treaty constituting the Community.

2. **Procedures for joint action**

Joint action should include anything from exchange of information to joint decisions covering the whole of the two markets.

The High Authority and the United Kingdom Government should keep under review the market trends and the living conditions of labour, and draw up a joint long-term plan for the development of consumption and exports.

In the absence of any surrender of sovereign rights to the institutions responsible for taking decisions for and on behalf of both parties, the High Authority envisages the following procedure which could be applied: when either of the parties intends taking important steps such as the assignment of general objectives concerning the modernization and the orientation of production and the expansion of production capacity or emergency measures designed to overcome immediate economic difficulties, it should consult the other party, and would offer it the choice between taking jointly agreed action with respect to the two markets taken as a whole or allowing it to take the proposed measures unilaterally.

3. **Joint institutions**

Whatever technical arrangements are agreed upon, the High Authority is of the opinion that in order to put them into operation and invest them with their full political importance, it is essential to provide for the setting up of joint institutions responsible for the supervision and the development of the proposed association.

For that reason the High Authority proposes the establishment of a Board which might consist of three members appointed by the High Authority and three members appointed by the United Kingdom Government. This body might meet
periodically to discuss the rules adopted for trade between the respective markets, to prepare joint measures and to take decisions by mutual agreement.

Ways and means would have to be sought to settle differences of interpretation regarding the application of the agreed rules or the conditions in which each contracting party has given effect to action agreed upon.

Lastly, the High Authority considers it desirable that the activities of the Board should be discussed publicly according to procedures to be established. The High Authority will naturally be prepared to consider any constructive proposal which associates public opinion with the development of the new form of international relations which we propose jointly to establish.

I am, Sir, etc.

(signed) Jean Monnet
President of the High Authority