Contracting Parties complete examination of Fourth Annual Report of Member States of European Coal and Steel Community

Joint Communiqué by the European Coal and Steel Community and the Contracting Parties

In April 1951, Belgium, the Federal Republic of Germany, France, Luxemburg, Italy and the Netherlands concluded a Treaty constituting the European Coal and Steel Community and a Convention containing the transitional provisions. The Treaty came into force on 23 July 1952. The establishment of the common market involves the abolition as between the six countries of import and export duties and of quantitative restrictions on the movement of coal and steel between the territories of the six countries.

The six Member States (all of them being contracting parties to the GATT) therefore submitted to the Contracting Parties a request for a waiver from certain of their obligations under the GATT, in particular the most-favoured-nation clause contained in Article I and the rule of non-discrimination regarding the application of quantitative restrictions in Article XIII.

In 1952 the Contracting Parties granted a waiver and it was agreed that from the date of the creation of the common market for coal products (10 February 1953) until the end of the transitional period (10 February 1958) the six countries would submit an annual report to the Contracting Parties on the progress towards the full application of the Treaty. At this Session the Fourth Annual Report of the Member States has been examined in a working party.

The working party first examined the measures taken towards the complete establishment of the common market and noted that, during the period under review

(a) the Italian tariffs on coke and steel applicable to imports from other Member States have been further lowered;

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The Benelux Governments continued to maintain tariff quotas for certain iron and steel products. It was noted that quotas for pig-iron and semi-finished products show a considerable increase in 1956 as compared with the preceding year and that other quotas have been adjusted either upwards or downwards to meet the requirements of Benelux consumers;

the Member States continued to maintain a temporary restriction on exports of scrap. The Working Party noted that the shortage of that essential material remained severe during the period under review and that, in the application of the export restrictions, the European territories of the Member States are considered as if they constituted the territories of a single contracting party;

came to the conclusion that actions taken were consistent with the terms of the waiver.

The Working Party also had the opportunity of discussing other aspects of the commercial policy of the Community and, in particular, the extent to which the interests of third countries were taken into account during the period under review in the application of export controls on scrap, in the application of tariffs and other trade regulations, and in the discharge of the Community's undertaking to ensure that prices charged by its producers in third markets remain within equitable limits.

As regards the export restrictions on scrap, the Working Party noted that, in spite of the measures taken by the Community to encourage saving in the use of that essential material, the internal requirements of the Community remained exceptionally high and had to be met largely by imports from third countries. The report of the Community stressed that the increase in steel production was not accompanied by an equal rise in scrap availability in the Community. Apart from the measures already described in last year's report for reducing scrap consumption, the Community has this year facilitated the import of some kinds of haematite pig iron by means of a suspension of customs duty and has taken various measures to encourage such investments as would lead
to an increased production of pig iron and to a consequent reduction in scrap consumption. It was recognized that this shortage was not limited to the Community but existed also in other steel producing countries. The Working Party expressed the hope that the Community Authorities would nevertheless take the necessary precautions to maintain as far as practicable the traditional channels of trade.

With regard to supplies of coal, the representative of Austria referred to the increasing difficulties which his country had had to be adequately supplied with coal from the Community. Exports from the Community to Austria since 1952 had declined heavily, especially as regards coking coal, whereas there was an increase in exports of coal to other countries during the same period. In the first half of 1956, coal exports from the Community to Austria were only 58 per cent of the quantity exported in 1952, whereas the combined coal exports of the Community to other countries were 32 per cent larger than in 1952. Austria had therefore to rely more heavily than before on supplies of coal from the United States which, in view of the Austrian geographical situation were far more costly than supplies from the Community. The higher cost of imported coal has thus affected the cost of steel production in Austria. The Working Party noted, however, that the Austrian import demand was mainly for coking coal which was in short supply in the Community. The representative of the Community pointed out, moreover, that the relative increase in their exports to other countries was accounted for by exports of other qualities of coal which the Community was in a better position to supply. Finally, the Working Party noted that producers of the Community and users in Austria recently had had discussions which would prevent any further deterioration of the present situation and which might lead to an improvement in the exports of coking coal to Austria.

As regards the supply of coke, the Working Party noted that the present coking capacity in the Community was barely sufficient to cover the current requirements for domestic consumption and export. The High Authority has encouraged investments in the building of coking plants but it is recognized that the measures taken with regard to increases in their production of coke or to economy in its use, cannot be expected to show substantial results until after some years.
As regards the supply of steel products, the Working Party noted that there had been a slight decline in trade in those products among the Community countries, while exports to third countries have increased.

The Working Party devoted a large part of its time to the price policy followed by the Community exporters, and to the effect of such policy on the interests of third countries. As regards export prices, the Working Party noted the communication from the Danish Government according to which prices for coal exported from the Community to Denmark had been in line with those applied within the Community.

As regards export prices for coke, the Working Party noted that the prices paid by Danish and Swedish importers were substantially different from those charged by the cokeries of the domestic consumers of the Community. Even if freight charges are taken into account, the price differential during the period under review remained substantial. There appeared to have been a substantial difference during the period from mid-July to mid-October 1956. According to Danish estimates, this difference had amounted to 24 per cent for supplies from Germany. This difference had become narrower recently, falling to 13 per cent. Some disappointment was expressed at the fact that this narrowing of the price differential occurred not as a result of a fall in the export price but of an increase in the domestic Community price.

The Working Party took note with satisfaction of the assurance given by the Observer of the High Authority that every effort would be made to maintain export prices for coke within equitable limits and that the Community Authorities would see to it that exporters will not take advantage of the present market conditions by pushing prices to an abnormal level in their relations with their traditional customers.

On the question of steel prices, the Working Party noted with satisfaction that the system of price differentials for exports to various destinations had been abolished.

The Working Party noted however, that, if the minimum export prices, i.e. the prices fixed by the Brussels Convention of exporters, did no longer differentiate among third countries, there were substantial differences
between these prices and some of the price data which were communicated by the
Danish Government or reported in the Note by the Executive Secretary. It was
recognized by the representatives of the Community that exports were not
always made at minimum prices. They were not in a position to give any de­
finite estimate of the part of the total export which was made at prices
exceeding the Brussels Convention levels, but their view was that, in the
majority of cases, the minimum prices were applied.

In this connexion, the representative of Denmark stated that, although
his country has been able to buy large quantities of steel at the minimum export
prices - and this was particularly true of purchases in Luxemburg - higher
prices were quoted in a number of cases. In the period from November 1955 to
February 1956, for instance, the percentage of all merchant bars and sections
which were imported from Belgium and Germany at prices at least three dollars
per ton higher than the minimum prices, accounted for about two-thirds of
the total transactions. The Observer of the High Authority admitted that, at
the beginning of this year, there was a tendency for export prices to get out
of line with the minimum levels. But the prices charged for exports to Denmark
during the recent months had been the minimum export prices in all cases,
except with respect to heavy and medium plates, for which the Community is
not a traditional supplier.

While recognizing that any comparison between steel prices is necessarily
imperfect, the Working Party felt that it might be useful to summarize the
conclusions which give a general indication of the price trends. The main
conclusion was that the Community's minimum export prices for bars, sections,
broad flange beams and wire rods continue to be lower than both the United
States and the United Kingdom export prices, but, as regards flat products,
those continue to be higher than those of the United States and those of the
United Kingdom for sheets, but that the Community had, on the basis of its
minimum export prices, a price advantage over the United Kingdom for hot-rolled
strips and plates. On the other hand, if the comparison is made with the
highest prices which are quoted for part of the exports, the conclusions are
somewhat different. The export prices of the Community were significantly
lower in August 1956 than those of the United States and United Kingdom only in the case of wire rods, and significantly higher only for heavy plates. In respect of other products, they were close to British export prices, but markedly higher than the United States export prices.

The representative for Denmark then asked the Working Party to address itself to the comparison with the prices applied in the Community with the prices applied in the common market. He expressed his concern over the fact that, while the internal prices of the countries of the Community showed substantial variations, any competitive advantage which the third countries might derive from those price differentials was nullified by the agreement among producers to apply uniform prices for exports and to fix the level of such prices in relation to the prices prevailing in the country of the Community where the price level was highest. Internal prices in Belgium and Luxemburg had been rising much more than those of France and Germany, although these prices were at about the same level in the four countries in May 1953. He did not feel that the fact that the level of export prices in Belgium and Luxemburg was high because of the level of internal prices, was enough to justify the adoption by the other Community countries of equally high prices for the exports of their steel.

After having recalled the statement made at earlier Sessions of the Contracting Parties concerning the very limited circumstances in which the High Authority may intervene in the activities of export cartels, the Observer of the High Authority pointed out that prices always fluctuated more, and more rapidly both upwards and downwards, in the export markets than in the internal markets, and this was particularly true for the Community in view of the stabilizing effect of the common market rules on internal prices. The High Authority followed carefully the trend in export prices and whenever necessary appealed to producers to exercise restraint with regard to increases in export prices. He maintained that the third countries had benefited from a greater degree of price stability since the inception of the Common Market as compared with the earlier wide fluctuations.
While recognizing that a higher degree of stability had been achieved in recent years, the representative of Denmark questioned the validity of comparison with earlier postwar years, as in his opinion, the present conditions on steel markets were not comparable to those which existed at the time of the Korean War. Moreover, in considering whether export prices were equitable, it was appropriate to consider not only the relation between such export prices and internal prices, but also to take into account the absolute level of those prices. He felt that the recent increases in the internal prices of the Community were not fully justified by the increases in the cost of materials and of labour. The Observer of the High Authority agreed that the Working Party was at liberty to compare the export prices with internal prices, but that it did not appear appropriate for the Working Party to ask the Community to give a justification of the prices prevailing within the Community.

The Working Party considered that there was no definite method for assessing whether export prices remained within equitable limits or not. It noted that there has been some degree of stability in export prices in recent years, but that on the whole increases in the export markets have been more rapid than in the Community market. It noted with gratification that the High Authority was aware of the need for restraint on the part of its exporters and that it had acted with some success during the period under review.

The Working Party took note of the considerable progress made during the year towards the lowering of duties applied on imports of various steel qualities from third countries. Concessions were granted as a result of the recent tariff negotiations under the auspices of the GATT between the Community countries, on the one hand, and Austria and the United States, on the other.

In conclusion, the Working Party was of the opinion that the exchange of views which took place between its members and the representatives of the Community has enabled them to engage in a general "tour d'horizon" which has contributed to clarify several points of common interest. The examination of the Fourth Report was focussed mainly on the price question. Although the
conflicting views on this matter could not in all cases be reconciled, the
discussion resulted in a better understanding of the underlying facts. The
Working Party noted with satisfaction that the Community Authorities had
taken steps to influence the price policy of their exporters and it was of the
opinion that this annual exchange of views contributes to a better under­
standing of the problems which may arise in the relations between the
Community and third countries and facilitates a solution of outstanding
differences.