

GENERAL AGREEMENT ON TARIFFS AND TRADE
Tenth Session of the Contracting Parties

Contracting Parties complete examination of Third 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 Third 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 customs tariffs on coke and steel applicable to supplies from other Member States had been gradually lowered;
- (b) the Benelux Governments continued to maintain tariff quotas for a number of iron and steel products and that for 1955 the quotas had been substantially increased for many items so as to satisfy the demand for these products;
- (c) the Member States continued to maintain a temporary restriction on exports of scrap and that the shortage of this essential material became more severe during the period under review,

and further concluded that the actions taken in these fields 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; 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 exporters to third countries remain within equitable limits.

As regards the restrictions imposed on the export of scrap to third countries, the working party noted that the situation in the Community has substantially deteriorated during the period under review. Consumption increased by more than 20 per cent in the first quarter of 1955 and the Community was obliged to import very substantial amounts from abroad, and in particular from the United States, in order to meet the increased domestic demand resulting from higher steel production. This resulted in an almost complete halt in exports of scrap from the Community to third countries. This situation had affected countries like Austria and Sweden which traditionally relied on the Community for their supplies of scrap. The position was particularly difficult for those countries in view of the growing difficulty of obtaining scrap from other sources.

The representatives of the Community stated that in order to remedy the situation, the High Authority introduced as from 1 April a system of equalization payments which would encourage producers to substitute pig-iron for scrap in the production of Martin Steel. This system should lead to a reduction in the demand for scrap within the Community and bring about, as a result of a decline in the import needs of the Community, an alleviation of existing pressures at present felt on the world market for scrap. Such a situation should enable third countries to obtain regular supplies from the world market, and might make it possible for the Community to resume to a certain extent its traditional supplies to a number of third countries. The working party expressed the hope that, if these measures proved to be insufficient, the High Authority would consider the adoption of further measures designed to maintain a regular flow of scrap to countries which traditionally relied on the Community markets for their supplies.

As regards import controls, the working party noted that no new measure had been taken to restrict imports from non-member countries. It noted further that the French Government had relaxed the quota arrangements applicable to imports of special steel from OEEC countries and that the German Government was granting liberally licences for the import of coal from the dollar area.

So far as import tariffs are concerned, no substantial change took place during the period under review. Temporary tariff reductions which had been applied before were on the whole maintained during 1955. On the other hand, the working party noted that no progress had been made towards the harmonization of tariffs. Some delegates expressed disappointment at the lack of progress in that direction and at the fact that no indication was given by the representatives of the Member States and the High Authority as to the policy to be followed or the steps to be taken by them during the remaining part of the transitional period with regard to the harmonization of tariffs. In the view of the delegates of Austria and Sweden a policy of harmonization would bring down the general incidence of the Italian tariffs on steel to a level comparable to that of the tariffs of the other Member States.

The working party noted that no tariff negotiation has taken place with countries during the period under review. The agreement between the Community and the United Kingdom which provided for exchange of views and a possible co-ordination of policies regarding tariffs and other barriers to trade had not led so far to negotiations on tariffs and the negotiations with Austria had not yet been resumed.

The working party noted with satisfaction the measures taken by the Community towards the elimination of assistance and subsidies presently granted to certain community producers. It also took cognizance of the extensive data submitted by the Community regarding the elimination of transport discrimination. It noted, in this connexion, that the direct international tariffs for railway transport which have been introduced during the period under review were applicable not only to Community products, but also to products originating in third countries when they were carried over the territory of at least two Community countries.

The working party examined in some detail the export prices for coal, coke and steel charged by the Community exporters and the effects of their price policy on the interests of non-member countries.

The working party considered data on export prices (supplied by the High Authority at the request of the Danish Government), particularly relating to coke, with a view to ascertaining whether these prices remained within equitable limits. The working party agreed that the documentation was not sufficient to enable it to arrive at any definite conclusions and it recommended that more data on the prices of coal and coke should be supplied by the High Authority for a fuller examination at the next Session.

It was clear from the data submitted regarding steel prices that there had been a substantial and continuous increase in the export prices of the Community from the beginning of 1954 onwards. Some members of the working party were not satisfied that these increases were justified by the trend of the markets or by increases in the cost of production. They felt that the setting up of a common market could have been expected to improve the conditions of production in the Community and therefore to bring about a general reduction of export prices, other things remaining equal.

The observer for the High Authority stressed that it was the considered view of the Community authorities that the recent increase in prices was entirely due to normal factors, either to a revival of the demand on all steel markets, or to increases in the cost of production (raw materials, freights, wages). If the price movements for exports and for domestic consumption were not absolutely identical (which is only natural since prices on the export markets and on the Community market were not influenced by the same factors) the general trend has been very similar.

The working party was not in a position to reach agreed conclusions regarding the extent to which export prices on steel were maintained within equitable limits. It did not disagree with the general statement of the observer for the High Authority that it had not been established beyond doubt that prices charged exceeded equitable limits. On the other hand, the working party was not in a position to conclude that prices had always been equitable.

The working party noted this year, as in preceding years, that the Community exporters were still charging lower prices on the dollar markets, in particular on the United States and Canadian markets, than for other destinations. The observer of the High Authority pointed out that this resulted not from any deliberate policy on the part of the Community exporters, but from the fact that the exporters to the United States and Canadian markets had to adjust their prices to those charged by United States and Canadian producers, and that, furthermore, the orders received from the United States and Canadian customers were such as to enable the Community producers to plan their production in advance and therefore to reduce their cost of production.

The working party considered, as it did last year, that the existence of an export cartel in the Community and therefore the adoption of a common export price policy by an association of producers, which was in a position to exercise a considerable influence on the formation of prices on export markets, led to the feeling that consuming countries were deprived to a certain extent of the advantages which would result from free competition among the national producers of the Community countries. Some delegates were of the opinion that, in order to make up for this situation which was partly the result of the setting up of a common market, the High Authority should intervene more actively and exercise a closer supervision of export prices. The observer of the High Authority recalled that the High Authority continued to ensure that export prices charged by the Community producers remain within equitable limits.

The working party suggested that any contracting party willing to do so should give price data on coal and steel products which would be available to them and relating either to the export prices quoted by their exporters or to prices paid by their importers. Already it felt that this additional data might throw some further light on the question whether prices charged by the Community exporters remained within equitable limits.

In conclusion, the working party stated that in its opinion the examination of the three annual reports of the Member States had led to fruitful results. Although, on certain important points, the approach of some members of the working party differed from that of the Community, it appeared that the general tour d'horizon which has taken place this year led to a better understanding of the problems and difficulties of all concerned.

The Contracting Parties approved the report of the working party.

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