

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/308

18 January 1955

Limited Distribution

CONTRACTING PARTIES
Ninth Session

Original: English

PRICES FOR EXPORT OF STEEL FROM THE EUROPEAN COAL AND STEEL COMMUNITY

Consideration of the Latest Development in the Export Prices of Certain Steel Products from the Coal and Steel Community, and the Conformity of these Prices with the Obligations Undertaken by the Member States of the Community. (Memorandum by the Danish Delegation.)

The following memorandum has been submitted by the Danish delegate with the request that this subject be added to the Ninth Session Agenda.

1. In the autumn of 1953 the steel producers of five of the nations members of the European Coal and Steel Community entered into a Cartel Agreement (the so-called Brussels Convention) fixing minimum prices for export of steel products to third countries. The total export of this Cartel amounts to about 65 per cent of world trade in steel products and comprises about 20-25 per cent of the production of finished steel products in the European Coal and Steel Community area.
2. It appears that about a year ago the establishment of the Cartel was discussed by the authorities of the Community. The report from the High Authority in January 1954 (pages 30-31) contains the following statement:

"When considering these problems, the High Authority could not remain indifferent to the formation of a combine for the purpose of fixing export prices for steel which, by that very fact alone, covered nearly 20% of the total metallurgical production within the Community.

"The High Authority has considered the ways and means by which it can intervene.

"After having discussed the problem with the interested producers, the High Authority has entered into consultations with the Consultative Committee and with the Council of Ministers as to whether it should fix maximum and minimum export prices itself and, if so, as to the levels on which such prices should be fixed."
3. In different press reports it is indicated that after discussions in the Council of Ministers, the High Authority decided not to pursue the matter. The result was that shortly after the Cartel strengthened its position by introducing a penalty (\$50 per ton) against producers not respecting the minimum prices fixed by the Cartel.

It seems that this penalty system was not sufficient to ensure the minimum prices, and accordingly a quota system was introduced. The Financial Times of 2 March 1954 gives the information that German producers had been obliged to limit acceptance of orders from third countries to 20-25 per cent of the average of monthly orders received from third countries during the preceding six months. According to Ecco de la Bourse of 7 March 1954 the Cartel had established the following export quotas: Germany 16:3 per cent, France 24 per cent, the Netherlands 3 per cent and Belgium-Luxembourg 56:7 per cent. The same paper said on 16 June 1954 that the global quota for June had been fixed by the Cartel at 425,000 tons and that the same quota could be expected to apply in July. During June and July the Danish importers experienced a stop in the acceptance of orders for certain steel categories.

4. During the last part of 1954 the Cartel has several times increased the minimum prices for steel products. As an example it may be mentioned that the basis price for merchant bars today is \$96 per ton as against \$80 a year ago and the market price is actually around \$110 today. Similar increases have taken place in other products. Since the annual report from the European Coal and Steel Community members on 20 October 1954 price increases have taken place on 29 October, 27 November and 21 December 1954. The following table shows some of the more important price discrepancies, at the same time showing that increases have not taken place within the Community market.

	20 October 1954		At present		
	Community ab factory	3rd countries fob Antwerp x)	Community ab factory	Cartel minimum price fob Antwerp x)	Actual price fob Antwerp x)
Merchant bars	85 - 87:5	86	85 - 87:5	96	105-110
Wire rod	84:8-87:3	93	84:8-90	102	108-110
Medium plate	97 - 98:4	98	97 - 98:4	102	115
Sheets (2:75-3mm)	116:3-125	138-148:5	119:75-125	138-148:5	138-148:5

x) In comparing the prices it should be noted that freight costs from factory to Antwerp according to Danish experiences amount to about \$3-4 per ton.

As it appears from the table the export prices on several products quoted towards third countries are between 15-20 per cent higher than the corresponding common market prices (the inland freight taken into consideration).

5. During the last years Denmark has relied for two-thirds of her imports of steel products on the Community countries. The considerable price discrepancies mentioned above therefore represent a very serious problem to the Danish steel consuming industry. This industry will not be able to compete on equal terms in the world market with the industries of the Community if they do not get the opportunity to buy their raw materials at prices similar to those which their competitors have to pay.

6. Article 65 of the European Coal and Steel Community Treaty prohibits "all agreements among enterprises, all decisions of associations of enterprises and all concerted practices which would tend directly or indirectly to prevent, restrict or impede the normal operation of competition within the common market". During the discussion on the Second Annual Report by the European Coal and Steel Community to the GATT the Danish delegation pointed out that the European Steel Export Cartel necessarily must be supposed to be hampering the free competition within the common market taking into account that the export of finished steel from some Member Countries of the Community represent between 35-50 per cent of the total production of finished steel.

In this context it should be noted that according to the official statistics of the Community the export in the eight first months of 1954 of finished steel towards third countries represented 23 per cent of their total production of finished steel, whereas the internal trade in finished steel within the Community only amounted to 15 per cent of the total production of the same products. The corresponding figures for 1952 - that is to say before the establishment of the common market - are 10 and 11 per cent respectively. The development of the trade has thus showed a direction contrary to what should have been expected after the trade barriers between the Member Countries have been abolished.

The figures seem to indicate that besides the differences in transport tariffs and tax rates etc. other obstacles have not yet been overcome within the Community.

Another matter which arose during the spring of 1954 seems to indicate that the Export Cartel is not without influence in the common market. A reference was made by the Danish delegation during the Working Party discussion to information according to which the German exporters were not inclined to accept the export quota system introduced by the Export Cartel during March-June of last year. They were said, however, to have accepted the quotas after having been threatened with severe competition from the French and Belgian producers on the internal steel market. When questioned about this point the representative of the High Authority stated that "The High Authority had not received from the German producers any sort of complaint or any particulars confirming the information to which the Danish delegation alluded". The representative of the High Authority did not, on the other hand, deny that this information might be correct.

7. Apart from the rules in Article 65 of the Treaty the High Authority is furthermore according to Article 3.f. of the said Treaty under the obligation to "Further the development of international trade and see that equitable limits are observed in prices charged on external markets."

8. The Decision of 10 November 1952 by the CONTRACTING PARTIES contains the following sentence concerning the supply of coal and steel towards third countries, "That the Community has undertaken to take account of the interests of third countries both as consumers and as suppliers of coal and steel

products, to further the development of international trade, and to ensure that equitable prices are charged by its producers in markets outside the Community". During the discussion of the Working Party the Danish representative asked whether the High Authority could indicate on which criteria the High Authority decided whether the export prices were equitable or not. The representative of the High Authority was not able to give any definite reply on this point. He stated, however, "that any judgement on equitable prices could be reached only on the basis of actual prices and in this instance the comparison should be made primarily with the export prices charged by competing exporters, any comparison with the price level in the common market being considered only as a subsidiary tests." The Danish representative pointed out that it had been a clear understanding of at least the Danish Government when accepting the Decision of 10 November 1952 by the CONTRACTING PARTIES that the export prices of the Community should be equitable as compared with the internal prices of the common market. Furthermore, during a discussion concerning the activities of the Steel Export Cartel which had taken place earlier within the Organization for European Economic Co-operation, the representative of the High Authority had stated that "the prices quoted by the exporters from the Community on the markets of third countries had been and still are lower than or equal to prices within the Community". It appeared from this reply that the High Authority itself at that time as a criteria whether prices were equitable or not had made the comparison between the internal prices of the common market and the export prices. Taking into account the dominating influence of the Export Cartel on the world steel market it seems clear that a comparison between the prices of the Steel Export Cartel and the export prices of other steel producers is without great interest as the Cartel undoubtedly maintains a price leadership in this field.

9. Conclusion.

a) According to the considered opinion of the Danish Government there could be no doubt that the Steel Export Cartel is hampering the free competition within the common market. The activities of the Steel Export Cartel therefore are not in accordance with Article 65 of the European Coal and Steel Community Treaty. As appears from the text of the waiver of 10 November 1952 it was a clear understanding of the CONTRACTING PARTIES when granting the waiver that the Member States had specifically undertaken "to prevent any discriminatory practices impeding normal competition so far as they relate to coal and steel products".

b) Furthermore, in the opinion of the Danish Government the considerable differences between the export prices and the prices of the common market involve that the Community has not fulfilled its undertaking "to take account of the interests of third countries both as consumers and as suppliers of coal and steel products, to further the development of international trade, and to ensure that equitable prices are charged by its producers in markets outside the Community".

With a view to the serious difficulties which the Danish steel consuming industry is encountering as a result of the said price discriminations the Danish Government request that an examination of the price policy and other activities of the Export Cartel is undertaken by the CONTRACTING PARTIES. As any postponement of a re-establishment of equitable price relations have most damaging effects on the Danish economy it is hoped that a satisfactory settlement could be achieved without delay.