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Sub-Committee on Non-Tariff Barriers

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NON-TARIFF BARRIERS AFFECTING THE IMPORTATION OF UNITED STATES COAL

Note by the United States Delegation

I. The non-tariff barrier

The United States notes that most of the nations that represent the major existing or potential markets for United States coal maintain non-tariff barriers which limit the flow of United States coal into their economies. Specific instances of non-tariff barriers which impede, and in some instances prohibit, the access of United States coal to current and potential export markets, are listed below, on a country-by-country basis.

Belgium

The Belgian Government establishes levels of imports of coal from non-Community countries through the mechanism of absolute quotas on bituminous coal and enforces their observances by imposing licensing requirements. This procedure severely limits the access of United States coal into one of its most promising potential markets.

Canada

The Canadian coal mining industry receives a subsidy, or as it is termed by the Canadian Government, a subvention, paid to the railroad and/or the coal producer or its transportation agent, in order to allow Canadian-produced coal to be marketed in Canada at prices competitive with United States imported coal. A similar subsidy is paid in order to permit Canadian coal to meet the competition of United States and other coals in at least one foreign market, namely Japan. In the fiscal year ending 31 March 1963, subventions on all Canadian coal amounted to more than US\$16.7 million and covered the movement of approximately 3.2 million tons of Canadian coal, or an average of US\$5.25 per ton. These measures constitute a serious impediment to access for United States coal.

France

An artificial price structure for coal from both indigenous and imported sources, subsidies, and a de facto State-trading company, ATIC (Association Technique de l'Importation Charbonniere) each have a limiting influence on the

access of United States coal to the French fuel market. The State fixes a disposal price for foreign coal which limits the competition from foreign sources. It appears that subsidies are of major consequence to indigenous supply sources. ATIC has a monopoly on the importation of non-Community coal. Only specified agencies may apply to ATIC to arrange for imports of foreign coal. Despite its economic attractiveness, United States coal, with few exceptions, has had substantial access into French markets only in times of emergency.

Japan

The policies of the Japanese Government which require (a) the regular purchase of determined tonnages of indigenous coal, and (b) authorizations for the importation of coal, inhibit the movement of United States coal to that country. The purchase of United States coal is limited to that volume of United States low-volatile metallurgical coking coal necessary for blending with high and medium volatile coals from indigenous and other import sources to meet the specifications of the Japanese steel industries.

Netherlands

An import licensing system is in effect in the Netherlands. While there is no firm evidence that this system has affected the importation of United States coal, it is believed that the maintenance of licensing measures is having some effect on the composition of the energy market and is inhibiting United States coal from competing freely with other forms of energy.

Spain

Although the tariff barriers which applied to imported coal are, at the present time, either entirely removed or reduced to an inconsequential level, there remains, as a prerequisite, the necessity to obtain licences. Although there is no clear evidence that such licences have limited the importation of United States coal, it is probable that United States access to this market is being adversely affected by this requirement.

United Kingdom

The United Kingdom maintains an absolute embargo on United States coal imports. Import licences must be obtained from the Board of Trade. Although representations have been made by the United States Government for entry of significant tonnages of United States coal into the United Kingdom market, and applications for such licences have been made during the past several years by coal consumers, all requests for permission to import United States coal have been denied.

Federal Republic of Germany

The Government provides for a duty-free quota on coal imported from third countries, and a duty of US\$5 per ton on all such coal imported in excess of the quota. This in practical terms constitutes an absolute quota, and has a severely limiting effect on coal moving to the Federal Republic from the United States. At present the quota is fixed at 6 million tons annually, of which the United States is allocated about 5 million tons. A second element of Government policy which limits United States access to the Federal Republic's coal markets is the legislation restricting the marketing of United States coal to areas north of the Mittelland Kanal. This geographic denial of markets is a particularly onerous restriction against United States coal.

II. Action sought

The United States in the current negotiations seeks liberalization of these restrictions.

III. Note

In view of the emphasis given in prior discussions of this subject to the ability of the United States to supply coal in accordance with the requested liberalization of these restrictions, it is appropriate to state briefly the facts pertaining to this question.

Suppliers of United States coal are prepared and willing to accept firm long-term contracts for export sales at reasonable prices at any time.

There is no reason to question the ability of United States suppliers to meet such contracts. There are almost unlimited reserves of coal in the United States. The United States reserves are advantageously situated for supplying all export markets. There has been no appreciable change in recent years in the thickness of coal seams mined or in the quality of coal produced. Productive capacity under present conditions approximates 600 million tons annually, which is more than 100 million tons in excess of present consumption. With effectively increased demand, capacity could be increased substantially. At the present time the United States coal industry and related industries are investing about US\$2 billion in coal producing and transporting facilities. New capital is being invested in modern plants and equipment, and efficiency will be further increased. Accordingly it is expected that production and delivery costs will be near or below current levels. In brief, the United States is capable of increasing its exports of high-quality coal in any desired quantity for many decades into the future.