

'ECSC High Authority explores all options in the Treaty to overcome the crisis' from the Communauté européenne (November 1966)

Caption: In November 1966, the monthly publication Communauté européenne focuses on the causes of the European steel crisis and on the measures implemented by the ECSC High Authority to alleviate it.

Source: Communauté européenne. Bulletin mensuel d'information. dir. de publ. Fontaine, François ; RRéd. Chef Chastenet, Antoine. Novembre 1966, n° 11; 10e année. Paris: Service d'Information des Communautés Européennes. "La Haute Autorité de la CECA explore toutes les possibilités du traité pour surmonter la crise", p. 6.

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ECSC High Authority explores all options in the Treaty to overcome the crisis

The most difficult year for the Community iron and steel industry since the creation of the Common Market for steel in 1953 will draw to a close in two months. Since the outlook for 1967 is no better, the High Authority is urgently seeking solutions that will bring about a new common policy for steel.

With surplus production capacity and very low prices, the problem is to correct a situation which the authors of the 1951 ECSC Treaty had scarcely envisaged. The danger of purely national measures cannot be brushed aside. National plans have been implemented in France and Germany, and if Community solutions do not prove possible, this example will probably be followed in the other countries.

The Common Market for steel, which has operated since 1953, may be seriously undermined and even broken up by a series of diverging national, regional and local measures.

The High Authority is aware that past errors and weaknesses, particularly those of the inter-war period, can only be avoided if agreement is reached on Community measures leading to a long-term solution. The High Authority is assured of the understanding and support of the entire iron and steel industry on this issue.

Worldwide overproduction of steel

The principal cause of the crisis is well known. New steel technology offers unprecedented potential for productivity growth. Blast furnaces, converters and rolling mills are now so large that mass production is possible, while increased performance is being obtained from the existing tools. Production capacity has therefore developed substantially over recent years. From 1955 to 1960, when production was still insufficient, the average annual increase amounted to 4.2 million tonnes. From 1960 to 1965, it rose to 5.2 million tonnes, and over the coming five years, from 1965 to 1970, although growth will be intentionally restricted, it will still reach 3.6 million tonnes.

In contrast to this rapid development of production potential, the demand for steel has increased much more slowly. On the internal market it amounted to an average of 3 million tonnes per year from 1955 to 1960 and only 2.8 million from 1960 to 1965, while from 1965 to 1970 it will fall to 2.6 million tonnes.

This downturn is connected in part to the progress that has made it possible to obtain the same results in terms of strength and service life from lightweight steels. To a much lesser extent, it is also presumably due to the gains made by other materials such as plastics, cement and concrete. It also reflects a slowdown in the growth of traditional steel-consuming industries.

Surplus production capacity, however, is not a phenomenon limited to the Community. New steel industries are emerging and have grown throughout the world more quickly than the market has been able to absorb them. Unused surplus capacity was estimated at 62 million tonnes of laminates in 1965, when worldwide production of crude steel amounted to 445 million tonnes.

Excessively low price levels

Despite very strong competition, in 1965 ECSC industries managed to export a record 18.9 million tonnes. Prices on the world market, however, which has been depressed for several years by the surpluses, have fallen to very low levels. In addition, unlike many of their competitors, ECSC steel producers cannot offset low export prices by charging much higher prices on the internal market.

The lowest Community list prices are only a few dollars higher than export prices, while ECSC prices for almost all products are lower than those in Great Britain and the United States.

An analysis of changes since 1953, which is a sufficiently long period, shows that the price of steel has risen by 44 % in Great Britain and 40 % in the USA, while it has fallen by 4 % in the ECSC.

The work of the High Authority

Last September, the High Authority set up two special research groups, one to examine all aspects of the steel market, and the other to study the specific problem of the price of coking coal.

The conclusions of the first group are being discussed by the High Authority. They highlight the very serious danger of insufficient revenue compared to financial charges and required investment, and note that the fall in revenue is due to competition on the internal market.

The working party has accordingly drawn up short, medium and long-term measures that may influence production. Proposals along these lines will be discussed at the next ECSC Council of Ministers meeting in Luxembourg on 22 November.

The second working party focused on disparities in the supply of coke to Community iron and steel undertakings. It is well known that in certain countries, such as Italy and the Netherlands, large quantities of coking coal imported at low prices from the United States greatly reduce the cost price of pig iron compared to other countries, such as Germany, where the iron and steel industry consumes more costly national coal.

Proposals by the High Authority to create a Community fund to subsidise trade in coking coal in the Community did not secure the necessary approval of the Council of Ministers last July. The High Authority's action with respect to these measures, which are not provided for in the Treaty, is limited by the fact that unanimous assent must be given in the Council.

The working party, composed of Members of the High Authority, travelled to Community capitals to meet the Ministers concerned and brought back information that will help the High Authority to formulate proposals.

Delayed merger?

However, a further delay in merging the three Communities also threatens to delay the changes provided for in the ECSC Treaty that would have helped to overcome the crisis. This Treaty, which lacks any provisions allowing a common policy with respect to non-member countries, is unsuited to the current situation. Nevertheless, through the Treaty as it now stands, the High Authority will doubtless explore all avenues to overcome the present difficulties.