

COMMISSION
OF THE
EUROPEAN COMMUNITIES

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The President

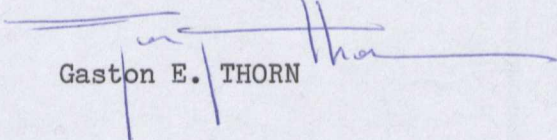
11. VI. 1981

SG(81) D/ 7906

Dear Prime Minister,

I have the honour to send you enclosed copies of correspondence between Mr Schmidt, Chancellor of the Federal Republic of Germany, and the Commission concerning the development of steel industry problems in the Community and relating in particular to the subject of aids to the industry.

Yours sincerely


Gaston E. THORN

The Right Hon. Mrs Margaret Thatcher
Prime Minister
10, Downing Street
LONDON SW1

C O P Y

Bonn, 1 June 1981

Dear Sir,

I note with increasing concern that extensive programmes of sectoral aids are being implemented in the Member States of the Community to deal with problems of structure and readjustment in individual industries. This gives rise to increasing burden for the European Community. The subsidies race which is developing between the Member States is leading to a misdirection of resources which none of us can afford. The more so, since subsidies are leading to unprofitability even in undertakings which of themselves are competitive.

The extent of the aids already granted or merely planned in the steel sector is a cause for particular concern. The subsidies given on a wide front in various Member States have already in the past led to significant damage to the German steel industry; they are now, increasingly, threatening the very survival of our industry. The intolerably low level of prices in the European Community is also to a considerable extent due to subsidies.

You will understand that the situation which has arisen on the European steel market is no longer acceptable to my Government. The German public is also aware with considerable disquiet that the Community has so far not been able to solve the problems which have arisen. It expects effective countermeasures such as those to which the Commission of the European Communities agreed at the Council meeting of 27 March 1981.

The European Council agreed unanimously in Maastricht that the unity of the market must be preserved by the reduction and progressive removal of state aids and unprofitable capacity. This was to be complemented

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by a voluntary agreement on the part of the undertakings. These principles must be put into effect without delay. Only in this way will it be possible within the European Community to restore a level of prices which will afford the competitive undertakings in the steel industry a chance of regaining profitability.

The Council of th EC will discuss steel policy on 4 June 1981. The Commission has presented for Council approval a draft for a new subsidy code, albeit at short notice. I consider it a matter of urgency that the Council on 4 June 1981 give a clear signal for an unequivocal and rapid dismantling of subsidies in Europe and at least establish the basic data for the future code (including close time limits).

It is equally necessary that the Commission take a decision in the immediate future on the aid plans which it has before it in strict application of the code and of the Council Resolution of 7 March. Only if this is done and it can be clearly seen thereby that all those involved are serious in their concern to put an end to subsidies and that progress is also being made, can the common market in steel be saved.

I should be grateful to you if you could use your influence to ensure that the Commission representative, in the interest of the proper functioning of the Community, will endeavour to obtain a Council Decision on these lines on 4 June 1981. I have sent letters voicing these same concerns to the Heads of State and Government of the other Member States.

Yours sincerely.

signed Helmut SCHMIDT
Federal Chancellor of the Federal Republic
of Germany

The President

Brussels, 3 June 1981

Dear Sir,

Thank you very much for your letter of 1 June, in which you express your concern over the development of the steel problems in the Community.

The Commission shares your concern and is endeavouring, in accordance with the responsibility which it bears, to propose appropriate measures and to translate them into action. Indeed, in the past few weeks we have put forward precise proposals designed to create the conditions for the increase in prices of steel products which is so vitally needed and to intensify efforts to normalize the market situation.

We have also drawn up our position on the question of the restructuring of this sector of industry and on the control of aids, which is an indispensable complement to this action.

Finally, we have just presented considerations which will make clear the extent to which we are disquieted by the deterioration in the situation from a social point of view. In this connection, we are not considering increasing the burden on the Community budget for 1981.

With regard to aids specifically, I can assure you that the Commission is determined to take up position regarding restructuring programmes in the light of the Council Resolution of 27 March 1981. It is the Commission's intention to proceed on these lines as of now.

Mr. Helmut SCHMIDT
Chancellor of the
Federal Republic of Germany,
Chancellery,
Adenauer-Allee 139

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It is vital that the Council take position regarding market problems, as requested by the Commission, at its meeting on 4 June. We must also continue the work in connection with the subsidy code and social measures. It is however possible that several governments, for domestic political reasons, may not - as desired by you and ourselves - be able to state their positions conclusively on 4 June. I do not believe, however, that this will present major difficulties, since the Commission is determined to abide by the Resolution of 27 March and since a further Council meeting is scheduled for 24 June.

The Commission is convinced that, if we all pull together, all difficulties - and you may be assured that I do not underestimate your own difficulties - can be overcome and that we can give this vital sector of industry hope of a recovery.

I have sent a copy of this letter to the Heads of State and Government of the Member States of the Community.

I should be very glad to meet you during the course of the month.

Yours sincerely,

Gaston E. THORN