Steel Decline Continues

STEEL

The steel situation in Europe is best summed up by Henri Simonet, steel commissioner of the European Economic Community (EEC), who put it this way: "Orders since last summer are persistently below the lowest levels of 1975; monthly deliveries are well below production rates giving rise to serious overstocking; industrial demand remains feeble; exports have continuously dropped since 1974; prices are not sufficient to cover production costs mainly because of the flood of low cost imports; and employment in the industry continues to fall, especially at mills producing long products."

Simonet's plan, which becomes effective Jan. 1, sets country-by-country production quotas for steel to be consumed within the EEC and combines this with strict import restrictions. Since there are no limitations placed on steel produced for export it can be expected that the mills will continue the cutthroat practice of selling steel overseas at below cost to maintain their already poor levels of production, ranging from 50-60 per cent of capacity. Although the program is on a voluntary basis for the first four months, Simonet has advised the steelmakers that if it fails to achieve the desired results the EEC will apply the full measures of the Treaty of Rome, which would institute production and price controls and call for mandatory compliance with treaty provisions.

U.S. steelmakers are upset about these arrangements. They will not only force EEC steelmakers to market more low cost steel here but will also cause other steel producers, such as the Japanese, to divert steel originally destined for Europe to the U.S. What is the U.S. steel community's response to this protectionism? None other than protectionism.

In the U.S. many of the same problems exist, albeit not on the same depressed level, due to a stronger home market and lower production costs. In recent months large shipments to the auto industry have helped keep the U.S. industry healthier than its European counterpart. These shipments have been accounting for about 40 per cent of all steel shipments recently, compared to about 21 per cent in past years. This trend is apparently over as the auto companies have announced that almost 39,000 auto workers will be laid off during January due to the continued weakness of small car sales. It did not take long for this news to reach the steel industry.

U.S. Steel Corporation's Central Division in Chicago, which is currently operating at below 70 per cent capacity, has announced that additional layoffs will take place over the holiday period. 1,200 workers presently unemployed from the Gary, Indiana sheet and strip finishing mill will be joined by approximately 5,400 additional laid off workers from the Southworks, Joliet, and Waukegan facilities. About 2,300 workers will be using up their vacation time. This information has been made available by L. Keith Smith, vice-president of the 13 state Central Division who further stated that, "Southworks has been at a horribly low level this year" and that plate and structural products have suffered from a "very poor market" for the entire industry. Smith went on with the popular position among steel leaders today both here and in Europe that the cause of all, or most of their woes anyway, is the Japanese.

In fact, Japanese steel producers are having the same problems as everyone else with capacity utilization of around 50 per cent in an industry whose high technology demands high levels of utilization. Figures recently released by both the American Iron and Steel Institute (AISI) and the International Iron and Steel Institute (IISI) reveal that the U.S. producers should be complaining about something (although not the Japanese). AISI figures show that October shipments of all grades were only 6,996,000 net tons or 8.5 per cent below the September level of 7,646,000 net tons. While figures reveal that shipments in all categories were down, they show that 47.3 per cent of all shipments were of flat rolled goods, most of which go to the auto industry. The IISI figures indicate that total ingot production totalled only 8.6 million metric tons in November, down from the 10.1 million metric tons produced as recently as August.

The Japanese response to all these attacks against its steel industry and the wave of protectionist measures in place or threatening to be implemented against it, is simply to further reduce production, an act which is sure to put some of the heavily indebted industry into bankruptcy. The Japanese Ministry of International Trade and Industry (MITI) has announced a new official production guide of 26.4 million metric tons of crude steel for the Jan.-March 1977 period. This is a cutback of 2.28 million MT from the already low output of 28.68 million
MT estimated for the current quarter ending Dec. 31. MITI said Japan steel production in the current fiscal year ending next March 31 was thus certain to fail to achieve its original goal of 110 million MT, falling off to 108.78 million MT. Domestic steel consumption in the same Jan.-March period is expected to total 12.82 million MT down 6 per cent from 13.68 million MT in the current 3 month period. This is due to sluggish demand in the civil engineering, construction, auto, and shipbuilding industries. Deliveries of steel products in the same period MTIT estimates will decline 4.6 per cent to 20.5 million MT.

The belief that the closing down of their borders to imports will help their domestic industries is sheer foolishness on the part of steel makers. Even in times of strong domestic markets many countries are required to export to maintain adequate levels of utilization necessary in an industry with high fixed costs. In this present world situation where home demand in many countries is sluggish or even non-existent the ability to export is vital not only to the life of the steel industry but to the countries themselves that require the revenues to help with their balance of payments deficits.

Protectionists measures are therefore sure to backfire, as to closedown one's own borders to imports inevitably means the loss of necessary export markets due to reciprocal measures taken by other countries.

Anatomy of the General Electric-Utah International Merger

SPECIAL REPORT

Exclusive to NSIPS

A prominent commentator of political economy has suggested that if Dr. Frankenstein had been an investment banker in lower Manhattan (probably at Lazard Freres) rather than a European surgeon, he might have dedicated his skills to the creation of the GE Utah International merger which was formally completed a week ago with relatively little fanfare. The operation, with a $2.17 billion tax exempt stock transfer from GE, stitched together the principal U.S. banking and private intelligence networks, whose interests the new Carter government was specifically designed to represent. The most recent successes of the two companies which have been carried out since last year's decision to complete the merger have included the "Chileanization of Peru" and the devaluations in Australia and Canada.

General Electric is a large international corporation. Its sales of products and services to customers in 1975 amounted to $13,399 million, and it has subsidiary plant in nearly every nation in the world. Utah International is another multinational giant with mineral interests in coal, copper, uranium, iron, and copper as well as other minerals. It shares ownership of a sizable fleet with the Mitsubishi Co. of Japan. Gross revenues to Utah in 1975 were $686.3 million with approximately 16 per cent from the U.S., 12 per cent from Canada, and 72 per cent from Australia, although of $1 billion in assets, 40 per cent were located in the U.S., 10 per cent in Canada and 50 per cent in Australia.

Merger of Sorts

The "King" of the GE-Utah Konglomerate is clearly GE Director Mr. J. Paul Austin, who is also President and Chairman of the Board of the Coca-Cola Company. Austin is reputed to have been the "discoverer" of James Earl Carter in the peanut fields, and it was he who introduced Carter to David Rockefeller and Zbigniew Brzezinski.

Last Sunday a terrified reporter for the Washington Post realized that Coca-Cola is represented in Atlanta by Griffin Bell's law firm; that the new Deputy Secretary of Defense is the former President of Coke; and that Coke's lawyer in Washington is the new Secretary of Health, Education and Welfare.

The merger, itself, was not much more than a formality. The Chairman of the Board of Utah, Edmund W. Littlefield, is also on the Board of Directors of GE.

The retired Chairman of the Board of GE, Fred J. Borch, is now a Director of Utah, with Ernest C. Arbuckle. (It has been noted that Arjay Miller, Dean of Stanford, is a Director of GE, while Utah Director Fred J. Borch is a Director of Utah, and that in 1970 Edmund Littlefield was awarded the Ernest C. Arbuckle Award from the Stanford Business School).

But this is only the beginning. The Trilateral Commission, which was created by David Rockefeller in 1973, just before the oil price hoax, includes President-elect Carter, Vice-President-elect Mondale, and nominees for National Security Council Director Zbigniew Brzezinski, Secretary of Defense Brown, Secretary of State Vance, and United Nations Representative Andrew Young, Coke's and GE's J. Paul Austin, and Utah International Director Ernest C. Arbuckle.

The major banks are well represented on the GE-Utah Boards. Morgan Guarantee Directors J. Paul Austin, Charles D. Dickey, Jr., and Thomas S. Gates are Directors of GE, while Utah Director Fred J. Borch is a member of the Morgan International Council. Chase Manhattan Bank Directors Ralph Lazarus and William Hewlett are, respectively, directors of GE and Utah. The Chairman of the Board of Citibank, Walter W. Wriston, is a Director of GE. Wells Fargo Board Chairman Ernest C. Arbuckle and Director Arjay Miller are both Directors of Utah, while Wells Fargo Director Edmund W. Littlefield is a Director of GE. Chemical Bank Director...