EEC Steel: Davignon Seeks To End Free Trade

STEEL

With the failure of the Simonet plan to halt the collapse of the European steel industry, the new European Economic Community steel commissioner Etienne Davignon has proposed a revised plan to deal with the crisis. Davignon's plan, which is strongly endorsed by ex-EEC steel comissioner Simonet of Belgium and by Frenchman Jacques Ferry, the president-elect of Eurofer and president of the Syndicale de la Siderurgie Francaise, is designed to provide for massive reduction of the bankrupt Belgium and French steel industries. Under the plan, trade and competition within the EEC would be cut to an absolute minimum and strict import quotas would be imposed, allowing time for Belgium and France to "restructure," that is, rationalize, their steel industries by reducing the size by 25 percent and bailing out the banks by having the governments loan the industry the money to pay off otherwise unpayable debts.

By blaming the industry's problems on low-priced Japanese imports into the EEC and into previously traditional EEC export markets, Davignon hopes to draw the other EEC steel producers into accepting his plan. Besides the imposition of import quotas, Davignon's plan would also: establish production limits, provide for the rationalization of raw materials buying and of product lines, and establish minimum prices on various products. The British, however, have already dealt the plan a severe blow by backing down from the threat to close the British Steel Corporation plant at Shotton, North Wales, and committing themselves to spending $1.5 billion to expand BSC's Port Talbot plant in South Wales. It is doubtful that the British will risk injury to their ambitious steel modernization program to help Belgium and France rationalize their industries. It is also recognized that the Italians would prefer to go it alone rather than agree to a plan which would force production quotas. Under the Simonet plan, these quotas were voluntary.

In Belgium and France however, where steelmakers are desperately in need of government aid to avoid bankruptcy, there appears little resistance to the plans of Davignon and Ferry. Already in Belgium agreements have been reached whereby the industry is to be kept in limbo until a comprehensive program can be worked out under the control of Simonet and Davignon. The program is sure to include most of the Davignon plan. In return for this agreement, the government and banks will provide aid to the industry to maintain day-to-day operations.

In France, Ferry also blames the demise of the Simonet plan on its failure to limit imports into the EEC, and proposes that an agreement be reached between the "big three" — the U.S., Japan, and the EEC, which would, in times of slack demand, "permit the avoidance of the excesses of free competition, and would allow countries or groups of countries to take measures to safeguard their markets." Ferry reasons that any agreement reached between the big three could be forced upon small producers in developing countries.

Ferry's plan for France will mandate the closing of much of the older steelmaking capacity, most of which is in the Lorraine region, at the cost of an estimated 20,000-30,000 jobs, and seek to "concentrate steelmaking production at the ultramodern works." Furthermore, all state aid to the industry will require that shares of ownership be deposited with the Casse des Depots et Consignations (national savings bank), to insure that these plans are implemented. State aid, which is to be a one-shot deal only, is expected to be between $400 million and $600 million, most of which will go to pay short-term debt and interest on the industry's incredible $1.5 billion long-term debt. This will leave little money left for the modernization and rebuilding Ferry talks about. In Belgium, debt service also is to be paid before any "restructuring" can take place.

'Coal Or Uranium': MITRE Report Sets Trap For U.S. Utilities

UTILITIES

The MITRE Corporation energy report, commissioned by the Ford Foundation and widely acknowledged as a preview of Jimmy Carter's April 20 energy policy messages apparently recommends leaving the issue of energy sources for electrical generation to be decided on the basis of a cost comparison between nuclear and fossil fuel electricity production. The report compares construction and operating costs of nuclear and coal fired plants and determines that the prices involved are close enough to make the decision a political alternative, presumably to be heavily influenced by environmentalist groups. In fact, most environmentalist groups are funded by the same foundations and corporate sources that back the MITRE Corporation.

A brief survey of the facts reveals that the MITRE Corporation is conveniently presenting the picture inside out. What we have in the uranium-coal question is not an objective price comparison leaving a tough political decision, but a political determination of price being used to ram through a pre-determined energy policy, and one that is neither in the interest of the nation's energy

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