

(The following information was received by the committee:)

STEEL IMPORT CONTROLS OF OTHER COUNTRIES—RESPONSE TO QUESTION BY
CONGRESSMAN SCHNEEBELI

Restrictions placed by other countries on steel imports are varied and many are not codified. A general discussion of barriers to trade appears as Appendix 1 to "The Steel Import Problem", which was introduced as an exhibit at the hearings on June 18, 1968. Additional information is found in Chapter III and Appendix C of "Steel Imports", a study by the Staff of the Senate Committee on Finance, which was also introduced as an exhibit on that occasion.

The variety of restrictions is remarkable and their identification is difficult because of the informal character of many. Officially, the Japanese have no restrictions other than tariffs on most steel imports. Yet, because of subtle, non-tariff barriers, even the most resourceful exporters are unable to sell steel in Japan at any price except to fill gaps in the domestic supply. One reason may be that about three-quarters of the steel sold in Japan is distributed through trading companies with which the steel producers are affiliated. The balance is sold to users in which the steel companies have some degree of financial interest. Thus, there is no open market for steel in Japan which compares with ours. Trading companies are associated with stevedoring concerns, warehouses and domestic transportation companies. Thus, they can influence physical access to such Japanese markets as might otherwise be open to foreign steel, small as it is.

Within the European Common Market, member nations are supposed to trade freely in steel, and, in fact, did so until the recent announcement by the French government of its intention to impose quotas on steel imports. Officially, only tariffs and border taxes restrict access to the market by non-members. Yet imports of steel from countries outside the Common Market account for only about 5% of total supply. Domestic preference buying for government use is one factor restricting imports and, because government enterprises bulk larger in the economies of the Common Market nations than they do here, this factor is of substantial importance. But more subtle forces are clearly at work when the Japanese producers, who have lower production costs than the Europeans, are able to sell only a tiny fraction of their total exports in the European market.

Ambassador Roth and others engaged in trade negotiations have noted repeatedly that identification of non-tariff barriers to trade is extremely difficult. The foregoing examples indicate not only why that is so but also why they are so difficult to eliminate.

Mr. SCHNEEBELI. Mr. Patton and Mr. Abel, the two largest steel companies of Japan which are now the fourth or fifth largest steel companies in the world have made application to the Federal Government of Japan for a merger. It is apparently part of their law that such application has to be made and approved.

At the time that the application was made it was felt that the approval would be given by the Japanese Government. If the merger were effected it would make this company the second largest steel company in the world, ahead of Bethlehem Steel.

The reason given by the press for the proposed merger was to meet international competitive situations. I have several questions along this line.

Do you know whether this merger has been approved?

Mr. PATTON. I don't know that it has been approved but I know that it is pending and approval is expected certainly

Mr. SCHNEEBELI. It was expected when it was applied for originally in April.

Mr. PATTON. Yes; I am sure that the companies involved expect the merger to be approved.

Mr. SCHNEEBELI. The same week this merger request was made I happened to be in Tokyo with 7 of my colleagues and we had a meet-